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SEC Registration No.

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(Company's Full Name)

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(Business Address : No. Street City / Town / Province)

Atty. Nestor S. Romulo																			
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Contact Person

(632) 706-7888/706-5982																			
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Contact Telephone No./Fax No.

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Any day in May

Fiscal Year

FORM TYPE

Month Day

Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

LCU

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Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

20-IS Definitive Report: MAHEC



August 03, 2015

To All Shareholders:

Please be informed that the ANNUAL MEETING OF STOCKHOLDERS shall be held on August 28, 2015, Friday, at 2:00 p.m. at One Café and Events Place, 6th Floor One Corporate Centre, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City.

The Order of Business shall be:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Meeting of Stockholders held on December 19, 2014
4. Report of the President
5. Presentation and approval of the Annual Financial Statements
6. Approval and ratification of the actions and proceedings taken by the Board of Directors and Corporate Officers regarding the BPC Project since December 20, 2014
7. Ratifications of the actions and proceedings taken by the Board of Directors and Corporate Officers since December 20, 2014
8. Election of the Members of the Board of Directors¹
9. Appointment of External Auditor
10. Other business
11. Adjournment

As fixed by the Board of Directors, stockholders of record date as of July 31, 2015 shall be entitled to notice of, and vote at, said stockholders' meeting and for this purpose, the Board of Directors authorized the closing of the stock and transfer book of the Corporation from July 31 – August 28, 2015.

If you are not attending, you may submit a proxy statement to the office of the Corporate Secretary of this Corporation at the address below not later than ten (10) days before the meeting. Corporate stockholders are requested to attach to the proxy instrument their respective Board Resolutions in support to their proxies.

On the day of the meeting, you or your proxy are hereby required to bring this Notice and any form of identification with picture and signature (e.g. driver's license, SSS ID, company ID, etc.) to facilitate registration.


ATTY. NESTOR S. ROMULO
Corporate Secretary

¹ A special Board Meeting will be set a week after the Annual Stockholders' Meeting (ASM) for the election of new independent director. Mr. Garcia has been disqualified by SEC as independent director per SRC Rule 68. The Company has limited time for the pre-screening of new nominees, thus the ASM will proceed as scheduled. Acts and proceedings taken during the special board meeting will be presented to stockholders for ratification on ASM next year.

PROXY

The undersigned stockholder of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.** (the "Company") hereby appoints _____ or in his absence, the Chairman of the meeting, as *attorney* and *proxy*, with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on August 28, 2015 and at any of the adjournments thereof for the purpose of acting on the following matters:

- | | |
|---|---|
| <p>1. Approval of minutes of previous meeting held on December 19, 2014.
☐ Yes ☐ No ☐ Abstain</p> <p>2. Approval of the annual financial statements.
☐ Yes ☐ No ☐ Abstain</p> <p>3. Approval and Ratification of the actions and proceedings taken By the Board of Directors and Corporate Officers regarding the BPC project since December 20, 2014.
☐ Yes ☐ No ☐ Abstain</p> <p>4. Ratification of the actions and proceedings taken by the Board of Directors and Corporate Officers since December 20, 2014.
☐ Yes ☐ No ☐ Abstain</p> <p>5. Election of the Members of the Board of Directors
☐ Vote for all nominees listed below:
Renato B. Magadia
Reno I. Magadia
Lamberto B. Mercado, Jr.
Miguel B. Varela (Independent)
Ricardo de la Torre
Nestor S. Romulo
Rogelio D. Garcia (Independent)</p> <p>☐ Withhold authority for all nominees listed above</p> <p>☐ Withhold authority to vote for the nominees listed below:

_____</p> | <p>6. Election of Valdes Abad & Associates, CPAs as external auditors.
☐ Yes ☐ No ☐ Abstain</p> <p>_____
PRINTED NAME OF STOCKHOLDER</p> <p>_____
SIGNATURE OF STOCKHOLDER/
AUTHORIZED SIGNATORY</p> <p>_____
DATE</p> |
|---|---|

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **AUGUST 14, 2015**, THE DEADLINE FOR SUBMISSION OF PROXIES.

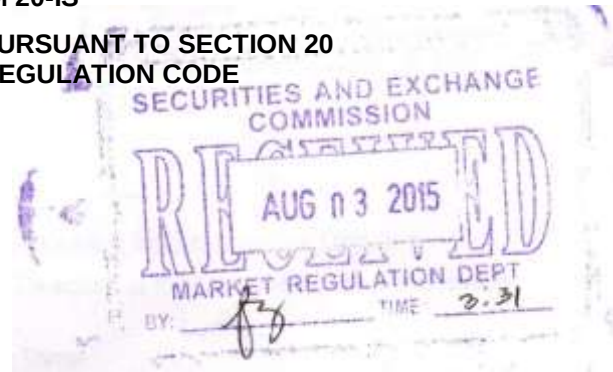
THIS PROXY IS NOT REQUIRED TO BE NOTARIZED, AND WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED "FOR" THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANYTIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

**INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**



1. Check the appropriate box:
☐ Preliminary Information Statement
☒ Definitive Information Statement
2. Name of Registrant as specified in its charter :
Metro Alliance Holdings & Equities Corp.
3. **Philippines**
 Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number : **296**
5. BIR Tax Identification Code: **000-130-411**
6. **35th Flr. One Corporate Center, Doña Julia Vargas cor. Meralco Aves,**
Ortigas Center, Pasig City
 Address of principal office **1605**
Postal Code
7. Registrant's telephone number, including area code: **(632) 706-7888**
8. **August 28, 2015, Friday, 2:00 pm, One Café and Events Place**
35th Floor One Corporate Centre, Doña Julia Vargas cor. Meralco Aves.
Ortigas Center, Pasig City
 Date, time and place of the meeting of security holders
9. Approximate date on which the Information Statement is first to be sent or given to security holders **August 7, 2015**
10. **In case of Proxy Solicitations:**
Name of Person Filing the Statement/Solicitor: Not applicable
Address and Telephone No.: Not applicable
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Class A	183,673,470
Common Class B	122,448,979
Outstanding Debt	Php 854,292,292
12. Are any or all of registrant's securities listed in a Stock Exchange?
 Yes **x** No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
Philippine Stock Exchange **All Common Class A and Class B**

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders.

- (a) Annual Stockholders' Meeting will be held on:
Date: August 28, 2015
Time: 2:00 pm
Place: One Café and Events Place
6th Floor One Corporate Centre, Doña Julia Vargas
Cor. Meralco Aves., Ortigas Center, Pasig City

Complete mailing address of the principal office of the corporation:
35th Floor One Corporate Centre, Doña Julia Vargas
Cor. Meralco Aves., Ortigas Center, Pasig City

- (b) As stated in the first page of the information statement, the approximate date on which **copies of** the information statement are first to be sent or given to security holders is on **August 7, 2015.**

Item 2. Dissenters' Right of Appraisal

Instances of appraisal right of dissenters with respect to any matter to be acted upon.

- (a) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in Section 81 of the Corporation Code; and
- (c) In case of merger or consolidation.

In instances wherein the stockholder has voted against a proposed corporate action, the statutory procedures required to be followed by dissenting security holders in order to perfect such rights are, as follows:

- (a) The withdrawing stockholder shall make a written demand on the corporation within thirty (30) days after the date that the vote was taken for payment of the fair value of his shares. Provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right.
- (b) The withdrawing stockholder shall submit his shares to the corporation for notation of being a dissenting stockholder within ten (10) days from written demand and the corporation has to pay the stockholder, upon surrender of the corresponding certificates within 30 days after demanding payment for his shares, the fair value thereof.
- (c) Failure to make the demand within thirty (30) days shall be deemed a waiver of the appraisal right.
- (d) If within a period of sixty (60 days) from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two thus chosen. The findings of the majority appraisers shall be

final, and their award shall be paid by the corporation within thirty (30) days after such award is made.

- (e) No payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment.
- (f) Upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

There are no matters or proposed corporate actions to be taken up during the annual stockholders meeting which may give rise to a possible exercise by security holders of their appraisal right under Section 81 of the Corporation Code of the Philippines (Corporation Code).

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

- (a) No person who has been a director, officer, nominee for election as a director or associate of any director, officer or nominee of the corporation since the beginning of the last fiscal, has any substantial interest, direct or indirect, by security holdings or otherwise, of each of the following persons in any matter to be acted upon, other than election to office.
- (b) No director of the registrant has informed the registrant in writing that he intends to oppose any action to be taken by the corporation at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

- (a) Class of voting shares as of June 30, 2015:

	Shares Outstanding	No. of Vote Each Share is Entitled
Common Shares – Class A		
Filipino	183,673,470	One (1) vote each
Foreigner	–	
Total	<u>183,673,470</u>	
Common Shares – Class B		
Filipino	60,675,182	One (1) vote each
Foreigner	<u>61,773,797</u>	One (1) vote each
Total	<u>122,448,797</u>	
Total Outstanding Shares	<u>306,122,267</u>	

- (b) All stockholders as of record date **July 31, 2015** are entitled to notice and to vote at the annual stockholders' meeting.
- (c) The election of directors shall be taken up at the meeting pursuant to Section 24 of the Corporation Code. The holders of common stock (Class A and Class B) are entitled to one vote per share, but in connection with the cumulative voting feature applicable to the election of directors, each stockholder is entitled to as many votes as shall equal the number of shares held by such person at the close of business on the record date, multiplied by the number of directors to be elected. A stockholder may cast all such votes for a single nominee or may apportion such votes among any two or more nominees. The shares shall be voted/cast by secret balloting and/or raising of hands. In all matters included in the agenda, except the election of directors, the counting of vote will be done through the regular method.
- (d) Security Ownership of Certain Record and Beneficial Owners and Management (Information required by Part IV paragraph (C) of "Annex C" to the extent known by the persons on whose behalf the solicitation is made)

1. Security Ownership of Certain Record and Beneficial Owners

As of June 30, 2015 the Corporation knows of no one who beneficially owns in excess of 5% of the Corporation's common stock except as set forth in the table below.

Title of Class	Name, address of Record owner and Relationship with issuer	Name of Beneficial Owner* and relationship with record owner	Citizenship	No. of Shares Held	Percent
Common Shares – Class B	Creston Global Limited C/o #9 Cardinal St., St. Dominic Subd., Bahay Toro, Congressional Ave, Quezon City (1 st major stockholder)	John Torres – Authorized signatory (Designated representative)	British	56,378,388	18.42%
Common Shares – Class A 16,190,768 Class B 26,779,182	PCD Nominee Corp. 37F Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo De Roxas, Makati City (2 nd major stockholder)	PCD Participants and their clients (see Schedule A)	Filipino	42,988,223	14.04%
Common Shares – Class A	Chesa Holdings, Inc. Unit 401 Joy Bldg., Brgy. Balingasa, Quezon City (3 rd major stockholder)	Perlie Alpuerto – Corporate Treasurer (Designated representative)	Filipino	40,500,000	13.23%
Common Shares – Class A	Pacific Wide Realty & Development Corp. Unit 401 Joy Bldg., Brgy. Balingasa, Quezon City (4 th major stockholder)	Chona Chua – Corporate Treasurer (Designated representative)	Filipino	31,498,000	10.29%
Common Shares – Class A 14,442,356 Class B 13,432,644	Forum Holdings Corp. Unit 401 Joy Bldg., Brgy. Balingasa, Quezon City (5 th major stockholder)	Ellen T. Balunsat Corporate Treasurer (Designated representative)	Filipino	27,875,000	9.11%
Common Shares – Class A	Misons Industrial and Development Corp. Unit 2002 20 th F, Antel 2000 Corporate Center 121 Valero St., Salcedo Village, Makati City (6 th major stockholder)	Renato B. Magadia (Director/Stockholder of record owner; Designated representative)	Filipino	22,000,000	7.19%
Common Shares – Class A 6,329,500 Class B 9,503,908	Pacific Concorde Corp. Unit 401 Joy Bldg., Brgy. Balingasa, Quezon City (7 th major stockholder)	Irene F. San Roque Corporate Treasurer (Designated representative)	Filipino	15,833,408	5.17%

* Person designated to exercise investment power over the equity

Schedule A. Top 10 PCD Nominee as of June 30, 2015

PCD Nominee	No. of Shares Held	%
Class A		
1. BPI Securities Corporation	2,278,500	0.74%
2. Papa Securities Corporation	2,104,916	0.69%
3. Westlink Global Equities, Inc.	1,755,750	0.57%
4. Quality Investments & Securities Corporation	1,172,922	0.38%
5. AB Capital Securities, Inc.	887,488	0.29%
6. Maybank ATR Kim Eng Securities, Inc.	881,536	0.29%
7. Mapfre Insular Insurance Corporation-Non Life	480,000	0.16%
8. RTG & Company, Inc.	444,000	0.15%
9. SB Equities, Inc.	354,750	0.12%
10. Abacus Securities Corporation	326,895	0.11%
11. Others	5,506,511	1.80%
Class B		
1. Quality Investments & Securities Corporation	8,976,929	2.93%
2. Westlink Global Securities, Inc.	1,817,867	0.59%
3. AB Capital Securities, Inc.	1,660,019	0.54%
4. Papa Securities, Inc.	1,648,103	0.54%
5. Tower Securities, Inc.	1,013,931	0.33%
6. SB Equities, Inc.	934,100	0.31%
7. Maybank ATR Kim Eng Securities, Inc.	915,875	0.30%
8. Abacus Securities Corporation	753,928	
9. Standard Chartered Bank	750,000	0.24%
10. Solar Securities, Inc.	717,000	0.24%
11. Evergreen Stock Brokerage & Sec., Inc.	710,000	0.24%
12. Others	6,897,203	2.48%
TOTAL	42,988,223	14.04%

2. Security Ownership of Management

As of June 30, 2015 the security ownership of individual directors, executive officers and nominees of the Corporation is as follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	%
Common–Class A	Renato B. Magadia	125,010 / Direct	Filipino	0.041
Common–Class A	Reno I. Magadia	100 / Direct	Filipino	0.000
Common–Class A	Nestor S. Romulo	1 / Direct	Filipino	0.000
Common–Class A	Lamberto B. Mercado, Jr.	1 / Direct	Filipino	0.000
Common–Class A	Rogelio D. Garcia	1 / Direct	Filipino	0.000
Common–Class A	Ricardo M. Dela Torre	1 / Direct	Filipino	0.000
Common–Class A	Miguel B. Varela	1 / Direct	Filipino	0.000
Common–Class A	James B. Palit-Ang	1 / Direct	Filipino	0.000
	Richard L. Ricardo	–	Filipino	0.000
	Annabelle T. Abunda	–	Filipino	0.000
Total		125,116		

3. Voting Trust Holders of 5% or More – There are no voting trust holders of 5% or more.

4. Changes in Control – There are no change in control of the corporation and there is no arrangement which may result in change of control.

(e) No change in control of the corporation has occurred since the beginning of its last fiscal year.

Item 5. **Directors and Executive Officers**

If action is to be taken with respect to the election of directors, furnish the following information in tabular form, to the extent practicable.

A. Information required by Part IV, paragraphs (A), (D) (1) and (D) (3) of “Annex C”

(a) The information required by Part IV, paragraph (A) of “Annex C”.

(1) Directors, including Independent Directors, and Executive Officers

a. Names, ages, citizenship, and position and office of all directors and executive officers

Name	Age	Citizenship	Position and Office
Renato B. Magadia	77	Filipino	Chairman of the Board and President
Lamberto B. Mercado, Jr.	50	Filipino	Director
Rogelio D. Garcia	76	Filipino	Independent Director
Reno I. Magadia	45	Filipino	Director
Ricardo M. Dela Torre	73	Filipino	Director
Nestor S. Romulo	70	Filipino	Director/Corporate Secretary
Miguel B. Varela	75	Filipino	Nominee – Independent Director
James B. Palit-Ang	50	Filipino	Treasurer
Richard L. Ricardo	50	Filipino	Vice President for External Affairs
Annabelle T. Abunda	39	Filipino	Finance Head

b. Term of Office as a Director

The Directors of the Corporation are elected at the annual stockholders’ meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified. Thus, the term of office of each director is one year, until the Board of Directors at its first meeting following the Meeting of Stockholders has elected their successors annually. Their respective terms of office are until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been elected or shall have qualified.

c. Business experience during the past five years and other directorships

Name	Corporation	Position
Renato B. Magadia Chairman of the Board & President Filipino 77 years old Bachelor of Science in Business Administration University of the Philippines Certified Public Accountant -1960	Present:	
	MAHEC	Chairman of the Board since 1999
	MAHEC	President since 2001
	MAHEC	Director since 1998
	Philippine Estate Corp.	Director
	Waterfront Phils., Inc.	Chairman of the Board/Director since 1999
	CPDSI	Chairman of the Board since 1999
	FEZ and ZDI	Chairman and President since 2004
	Asia Healthcare, Inc.	Chairman of the Board, 2001-2003
	Acesite (Phils.) Hotel Corp.	Chairman and President, since 2004
	ZetaMark, Inc.	Vice Chairman since 2002
	Misons Industrial & Dev. Corp.	Director since 1996
	Previous:	
	The Zuellig Corporation	President & CEO, 1980-99
	Mabuhay Vinyl Corporation	Chairman & CEO, 2001-2007

Lamberto B. Mercado, Jr. Director Filipino 50 years old Bachelor of Laws (L.L.B.) Ateneo de Manila University School of Law Lawyer – 1991	Present: MAHEC AHI, FEZ and ZDI Waterfront Phils., Inc. Forum Pacific, Inc. The Wellex Group, Inc. Previous: Subic Bay Metropolitan Authority	Director since 2003 Director, 2004 Director since 1999 Director since 1998 Vice President for Legal since 1998 Deputy Administrator for Administration, 1997-98
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Rogelio D. Garcia Independent Director 76 years old Bachelor of Laws (LLB) University of the Philippines 1961	Present: MAHEC Garco Pacific Consultants Previous: ConyBio Philippines, Inc. NIR Placement Center, Inc.	Independent Director since December 19, 2014 Director since 2003 Chief Executive Officer since 1993 Chief Executive Officer, 1997- 2000 Executive Consultant, 1998-2000
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Reno I. Magadia Director 45 years old BA, TV and Radio Broadcasting California State University Los Angeles Master's Degree – Business Administration Pepperdine University, Los Angeles, California	Present: MAHEC Metro Combined Logistics Solutions, Inc. (formerly GAC Logistics, Inc.) Misons Industrial & Development Corp. Previous: Mercator Filter Manufacturing Corp. Papa Securities Corp.	Director since 2006 Managing Director since November 2011 Managing Director Vice President, 1996-2003 Head Portfolio Manager, 1993- 1996
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Ricardo M. Dela Torre Director Filipino 73 years old Advanced Management Program – 1994 (Asian Institute of Management, Indonesia) Masters in Business Management – 1970 (Asian Institute of Management, Philippines) Bachelor of Science in Accounting – 1963 (Ateneo de Naga, Philippines) Certified Public Accountant - 1964	Present: Metro Alliance Holdings & Equities Corp. Metro Combined Logistics Solutions, Inc. Previous: Banco de Oro BPI – Family Bank BPI Card Corporation BPI/MS Insurance FGU Insurance Corporation Santiago Land Ford Credit Philippines Ford Credit Philippines Filoil Corporation	Director since 2005 Director since May 2007 Consultant, Consumer Financing (July 2003 – July 2005) Senior Vice President (1984- 2002)/Director Director Director Director Director General Manager Sales and Distribution Manager Corporation Planning Manager
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Nestor S. Romulo Corporate Secretary/Director Filipino 70 years old Bachelor of Laws (LLB) University of the Philippines, 1970 Lawyer - 1971	Present: Metro Alliance Holdings & Equities Corp. Winbank (Savings Bank) Westmont Investment Corp. Wincorp Securities Romulo, Serrano and Camello Law Offices Reyno, Tiu, Domingo and Santos Law Offices JP Consultancy Resources and Management, Inc. JMP Development Corp. Margarita Properties, Inc. Zuellig Distributors, Inc. Asia Healthcare, Inc. FEZ-EAC Holdings, Inc., Previous: Equitable PCIB	Corporate Secretary since February 2004 Director since 2005 Chairman of the Board Chairman of the Board Director Partner Consultant Corporate Secretary Corporate Secretary Corporate Secretary Corporate Secretary Corporate Secretary Corporate Secretary Consultant, 1999-2000 VP and Head, Legal Services Group, 1995-1999
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Atty. Miguel B. Varela Independent Director Filipino 75 years old San Beda College Liberal Arts Ateneo de Manila University Bachelor of Law	Present: MAHEC Megaworld Corporation Global Estates Resorts, Inc. Emperador, Inc.	Independent Director since December 19, 2014 Independent Director and Vice Chairman 2006-present Independent Director, 2012-present Independent Director, 2012-present
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James B. Palit-Ang Treasurer Filipino 50 years old B.S.B.A Accounting Philippine School of Business Administration	Present: MAHEC Noble Arch Realty & Construction Corp. Crisanta Realty & Development Corp. Philippine Estates Corp.	Treasurer since Chairman and President since 2010 Chairman and President since 2008 Director since 2010
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Richard L. Ricardo Vice President for External Affairs Filipino 50 years old Bachelor Science in Management Economics Ateneo de Manila University	Present: Metro Alliance Holdings & Equities Corp. Wellex Industries, Inc. Forum Pacific, Inc. Waterfront Phils., Inc. Acesite (Phils.) Hotel Corp.	Vice President for External Affairs since December 19, 2014 Director since 2010 Treasurer since Sept. 2012 Director since November 11, 2014 Corporate Affairs Officers since 2007/Compliance Officer Vice President for Corporate Affairs since 2007 Compliance Officer since 2007
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Annabelle T. Abunda Finance Head 39 years old Bachelor of Science in Accountancy University of the Philippines - Ilo-Ilo City Certified Public Accountant Licenses Real Estate Broker	Present: Metro Alliance Holdings & Equities Corp. Pacific Rehouse Corporation	Finance Head since December 19, 2014 Finance and Administration Manager since December 2010
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Nominees for Election as Members of the Board of Directors, including the Independent Directors

The following are expected to be nominated to the Board of Directors of the Corporation for the ensuring year:

- | | |
|------------------------------|--|
| (1) Renato B. Magadia | (5) Ricardo M. Dela Torre |
| (2) Reno I. Magadia | (6) Miguel B. Varela – Independent Director |
| (3) Lamberto B. Mercado, Jr. | (7) Rogelio D. Garcia – Independent director |
| (4) Nestor S. Romulo | |

The aforementioned nominees are all incumbent directors. All nominees in the final list were pre-screened by the Nomination Committee and their qualifications are presented on the previous pages. The independent directors, Mr. Rogelio D. Garcia and Atty. Miguel B. Varela, will be serving their 2nd term as independent director when elected during the annual meeting. The Nomination Committee will recommend them to undergo a cooling off period for two years after their last term on 2019, respectively, pursuant to SEC Memorandum Circular No. 9 series of 2011 (Term limits of Independent Directors).

The Certifications of Independent Directors executed by the aforementioned independent directors of the Corporation are attached hereto. (Please refer to pages 21 to 22). None of the candidates for independent directors of the Corporation are related to Metro Alliance Holdings & Equities Corp.

A summary of the nominees' qualifications is presented in the preceding paragraph. Mr. Renato B. Magadia is the nominating person and he has no relationships with these nominees.

The members of the Nomination Committee are the following:

1. Rogelio D. Garcia – Chairman
2. Lamberto B. Mercado, Jr. – member
3. Nestor S. Romulo – member

A special Board Meeting will be set a week after the Annual Stockholders' Meeting (ASM) for the election of new independent director. Mr. Garcia has been disqualified by SEC as independent director per SRC Rule 68. The Company has limited time for the pre-screening of new nominees, thus the ASM will proceed as scheduled. Acts and proceedings taken during the special board meeting will be presented to stockholders for ratification on ASM next year.

(2) Significant Employees

Other than its current officers mentioned in the preceding subsection, the Corporation has not engaged the services of any person who is expected to make significant contribution to the business of the Corporation.

(3) Family Relationships

With the exception of the father-son relationship between Renato B. Magadia (Chairman and President) and Reno I. Magadia (Director), there are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, persons nominated or chosen by the Corporation to become directors, or executive officers.

(4) Involvement in Certain Legal Proceedings

For the past five (5) years up to July 21, 2015, the Company is not aware of any bankruptcy proceedings filed by or against any business of a director, person nominated to become a director, executive officer or control person of the Company is a party or of which any of their property is subject.

For the past five (5) years up to July 21, 2015, the Company is not aware of any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal

proceeding, domestic or foreign, of any of its director, person nominated to become a director, executive officer, or control person.

For the past five (5) years up to July 21, 2015, the Company is not aware of any order, judgment or decree not subsequently reversed, superseded, or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting the involvement of a director, person nominated to become a director, person nominated to become a director, executive officer, or control person of the Company in any type of business, securities, commodities, or banking activities.

For the past (5) years up to July 21, 2015, the Company is not aware of any findings by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, that any of its director, person nominated to become a director, executive officer, or control person has violated a securities or commodities law.

The Corporation, as represented by the Board of Directors, is involved or has been involved in certain legal proceedings as follows **(please refer to page 41 to 42 of this report for the detailed discussion of each case):**

- 1) Metro Alliance vs Commissioner of Internal Revenue
 - Assessment for deficiency withholding taxes for the year 1989, 1990 and 1991.
 - As of the date of this report, Metro Alliance has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable.
- 2) Metro Alliance and Philippine Estate Corporation vs Philippine Trust Company, et. al.
 - Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sales plus Damages
 - The case stemmed from the imminent extra-judicial foreclosure of properties covered by Transfer Certificate of Title Nos. T-35522, T-35524 and T-35552 subject to Real Estate Mortgage executed by Metro Alliance and Philippine Estate Corporation on the amount of ₱42,000,000 which amount was never received. On October 6, 2005, the Regional Trial Court (RTC) of Tagaytay City issued and granted the Writ of Preliminary Injunction. Management believes that the same will be made permanent by the RTC.
- 3) Metro Alliance vs The Philippine Stock Exchange ("PSE")
 - Trading suspension due to non-filing of structured reports from 2007-2014, thus imposition of penalties and surcharges amounting to ₱3,400,000 as of June 16, 2015.
 - Non-submission of annual and quarterly reports since 2007 is due to legal issues involving the acquisition of the petrochemical plant and the surrounding issues that are beyond the control of the Company. The Company has made provisions on its financial statements sufficient enough to cover such liability.
 - The Company has already complied with the submission of its annual and quarterly reports from year 2007 up to the second quarter of 2015 and has paid already the corresponding penalties and surcharges. The Company has also filed its formal petition for lifting of trading suspension with the Philippine Stock Exchange. As of this report, the petition is still pending approval by the Exchange.

Certain Relationships and Related Transactions

The Group, in the normal course of business, has transactions with related parties. The following table summarizes the transactions with related parties for the year ended December 31, 2014 and 2013. Please refer to Note 15 of the Audited Consolidated Financial Statements attached to this report for the broad discussions.

a. Due from/to related parties

The amounts due from related parties included under receivables are unsecured and noninterest bearing advances, which have no definite repayment terms.

The amounts due to related parties pertain to advances provided to the Parent Company to finance its working capital requirements, capital expenditures, Petrochemical Project support and for other investments and have no definite repayment terms. These are unsecured and noninterest bearing, except the liability to WPI, which is interest bearing but the related finance charges are being charged to Polymax, since the corresponding liability were obtained in relation to the Petrochemical Project.

b. Payables for shared operating expenses

On November 30, 2011, Gulf Agency Company Holdings (BV) and the Parent Company executed a Deed of Assignment in which the former offered to assign, transfer, cede and convey to the latter all its rights, title and interests in and to its shares, and the latter has accepted the offer. Accordingly, the former's shares were cancelled on May 7, 2012.

In accordance with the Deed of Assignment, it is agreed that the outstanding liabilities of MCLSI with Gulf Agency Company Holdings (BV) referred to in the Memorandum of Agreement dated November 30, 2011 will be honored and paid, should the latter's shares be sold to other persons. The balance amounting to ₱22.7 million is non-interest bearing, unsecured and not impaired.

c. Compensation of key management personnel follows:

Particulars	2014	2013
Short-term employee benefits	₱ 8,161,952	₱ 10,147,884
Retirement benefits (Note 20)	-	1,656,702
Total	₱ 8,161,952	₱ 11,804,586

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under their respective entity's retirement plan.

d. The related amounts applicable to the Group's transactions with related parties are as follows:

Particulars	Amount of Transactions Increase (Decrease)		Outstanding Receivable (Payable)	
	2014	2013	2014	2013
Advances (Asset Held for Sale)				
Polymax (special purpose entity) (Note 7)	₱ (171,627,717)	₱ 5,646,912	₱ 788,662,261	₱ 960,289,978
Due from Related Parties				
<i>Entity under common control</i>				
The Wellex Group, Inc.	(5,384,826)	(5,268,421)	5,416,174	10,801,000
Others	-	-	293,487	293,487
	₱ (5,384,826)	₱ (5,268,421)	₱ 6,209,661	₱ 11,594,487
Due to Related Parties				
<i>Entities under common control</i>				
Waterfront Philippines, Inc. (WPI)	(3,042,977)	6,896,540	(365,933,148)	(368,976,125)
Acesite (Phils.) Hotel Corporation	-	-	(6,239,733)	(6,239,733)
Wellex Mining Corp.	(225,000)	-	-	225,000
Gulf Agency Company Holdings (BV)	-	1,640,269	(22,670,814)	(22,567,469)
The Wellex Group, Inc.	22,491,481	-	(22,491,481)	-
<i>Other related parties</i>				
Stockholders	(181,753,940)	-	-	(181,753,940)
Others	(4,195,534)	(7,651,661)	(605,492)	(4,801,026)
	₱ (166,725,970)	₱ 885,148	₱ (416,729,684)	₱ (574,961,241)
Accrued finance charges				
Waterfront Philippines, Inc. (WPI)	₱ 7,175,160	₱ 137,930	₱ (14,209,630)	₱ (7,034,470)

d.1 Advances to Polymax Worldwide Ltd.

Polymax is a special purpose entity incorporated in British Virgin Islands, designated by Metro Alliance as the acquiring company in the proposed acquisition of the petrochemical plant of Bataan Polyethylene Corporation (BPC). The Parent Company made significant advances to Polymax in connection with the said acquisition. The amount is measured at face value, non-interest bearing, unsecured and classified as Asset Held For Sale in the financial statements. As of June 30, 2015, the Company assessed that the remaining receivables is fully recoverable by virtue of a letter of comfort issued by the major stockholders.

d.2 Advances to/from The Wellex Group (TWGI)

The Wellex Group and the Parent Company has key management personnel and under common management. Advances to/from The Wellex Group are non-interest bearing, unsecured and payable/receivable upon demand. Advances to TWGI amounting to ₱5.4 million are presented as part of Receivables-net, while advances from TWGI amounting to ₱22.5 are presented as part of Due to Related Parties. Receivable from TWGI pertains to receivables of MAHEC subsidiary, CPDSI, from the proceeds of sale borrowed by TWGI. Payable to TWGI pertains to working capital requirements lend by TWGI since the Parent Company cannot sustain its operations due to continued losses. Parent Company also subleases an office space with TWGI with monthly rent expense amounting to ₱22,050, inclusive of VAT and net of withholding tax.

d.3 Advances from Waterfront Philippines, Inc. (WPI) and Acesite (Phils.) Hotel Corporation

WPI and Acesite are Company's affiliates. They made advances to finance the latter's working capital requirements and capital expenditures in the past. The principal balance amounting to ₱366 million and accrued finance charges payable to WPI earns 2% interest per annum. The amount is unsecured but not impaired. Payable to Acesite amounting to ₱6.2 million pertains to salaries and wages and benefits of Parent Company's executive incurred in the past. The amount is unsecured, non-interest bearing and not impaired.

d.4 Advances from stockholders

Advances from stockholders pertains to third party liabilities, funding of which is course through major stockholders for the funding of acquisition of the petrochemical plant in the past. The balance amounting to ₱181.7 was fully settled in 2014. Payment was made by Polymax, which the Company has substantial amount of receivables.

Ownership Structure and Parent Company

(a) The information required by Part IV, paragraphs (D)(3) of "Annex C".

Metro Alliance Holdings & Equities Corp. (MAHEC), the Parent Company, wholly owns three (3) companies: Consumer Products Distribution Services, Inc. (CPDSI), FEZ-EAC Holdings, Inc. (FEZ-EAC) and Zuellig Distributors, Inc. (ZDI), all have ceased operations. MAHEC owns 60% of Asia Healthcare, Inc. (AHI), the pharmaceutical arm of the Group and also have ceased operations. Lastly, MAHEC owns 51% of Metro Combined Logistics Solutions, Inc. (MCLI; formerly GAC Logistics, Inc.), the contract logistics arm and the only operating subsidiary of the Group.

Resignation of Directors Due to Disagreement

There are no directors who resigned or decline to stand for re-election because of disagreement.

Terms of Office

The Directors of MAHEC are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

All officers, except executive officers, shall be elected by the Board of Directors at its first meeting following their election. Every officer so elected shall be subject to removal at any time by the Board of Directors but all officers, unless removed, shall hold office until their successors are duly elected and qualified.

The executive officers shall hold office either by appointment of the Board of Directors or upon contract of employment with the Corporation approved by the Board of Directors.

The members of the Executive Committee are the following:

1. Renato B. Magadia – Chairman
2. Lamberto B. Mercado, Jr. – member
3. Nestor S. Romulo – member

Item 6. Compensation of Directors and Executive Officers

The following table lists the names of the Corporation's Directors and Executive Officers Annual Compensation for the two most recent years including the estimated compensation for year 2015. As observed, there was no compensation, in any form, to all Directors and key officers for the previous years due to the Company's tight cash position resulting from the trading suspension from PSE and subsidiaries that have ceased operations.

(a) Summary Compensation Table – Annual Compensation

	Name and Principal Position	Year	Salary	Bonus	Other compensation
1	Renato B. Magadia Chairman of the Board and President	2015	-	-	6,000,000
		2014	-	-	6,000,000
		2013	-	-	6,000,000
2	James B. Palit-Ang Treasurer	2015	-	-	20,000
		2014	-	-	20,000
		2013	-	-	20,000
3	Nestor S. Romulo Corporate Secretary and Legal Counsel	2015	-	-	600,000
		2014	-	-	600,000
		2013	-	-	600,000
4	Miguel B. Varela Rogelio D. Garcia Independent Directors	2015	-	-	20,000
		2014	-	-	20,000
		2013	-	-	10,000
5	All directors and Officers as a Group unnamed	2015	-	-	6,640,000
		2014	-	-	6,640,000
		2013	-	-	6,630,000

Note: Renato B. Magadia's management fee was waived by him until the Company gets back to operations and became profitable again.

The Compensation Committee prescribed only the above compensation for the specified officers and directors for year 2015.

The members of Compensation Committee are the following:

1. Reno I. Magadia – Chairman
2. Nestor S. Romulo – member
3. Rogelio D. Garcia (independent director) – member

(1) Standard Arrangement

Except for a nominal amount of per diem amounting to P10,000 during attendance in special meetings, there is no standard arrangement with regard to election, any bonus, profit sharing, pension/retirement plan, granting of any option, warrant or right to purchase any securities. There are no other arrangements or consulting contracts or other form of services with directors.

(2) Other Arrangement

There are no other arrangements pursuant to which any director of the Corporation was compensated, or is to be compensated directly or indirectly for any services provided as a director for the last completed calendar year and ensuing year, for any service provided as a director.

(3) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There is no employment contract and termination of employment and change-in-control arrangement with the directors and executive officers.

(4) Warrants and Options Outstanding: Repricing

There are no warrants and options outstanding held by the Corporation's CEO, executive officers and all officers and directors as a group. There is no repricing made.

Item 7. Independent Public Accountants

- (a) Valdes, Abad & Associates, CPAs (VAA), upon recommendation by the Audit Committee of the Board of Directors composed of Mr. Ricardo M. Dela Torre as Chairman and Mr. Renato B. Magadia and Mr. James B. Palit-Ang as members, will be the external auditors of the Company for the year 2015. Said firm will be recommended to the stockholders for election as the Company's principal external auditors for the year 2015. The selection of external auditors is made on the basis of credibility, professional reputation and accreditation with the Securities and Exchange Commission. The professional fees of the external auditors are approved by the Company after the approval by the stockholders of the engagement and prior to the commencement of each audit season.
- (b) In Compliance with SRC Rule 68 paragraph 3 (b)(iv) (Rotation of External Auditors) and as adopted by the Company, the external auditors or engagement partners are rotated every five years or earlier. The Corporation has engaged Ms. Cynthia Manlapig, a Sycip Gorres Velayo & Co. (SGV) partner, for years 2002 to 2006. Ms. Ma. Milagros F. Padernal of USA&Co is the engagement partner for years 2007-2010 and 2013. The Corporation has engaged Ms. Felicidad A. Abad of Valdes Abad & Associates for years 2011, 2012 and 2014 again for calendar year 2015.
- (c) Representatives of the principal auditors for the current year and for the most recently completed fiscal year are expected to be present at the annual stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and are likewise expected to be available to respond to appropriate questions.

(d) External Audit Fees and Services

Audit and related fees of Valdes Abad & Associates amounted to ₱320,000 exclusive of 12% VAT for year 2014 for expressing an opinion on the fairness of presentation of financial statements.

No other service such as tax and assurance audit was provided by external auditors to the Company for the calendar year 2014.

- (e) Changes in and Disagreement with Accountants on Accounting and Financial Disclosure during the corporation's two most recent fiscal years or any subsequent interim period.
 - (1) Valdes Abad & Associates who is the Corporation's principal accountant for the most recent fiscal year and the current year has not resigned (or indicated it has declined to stand for re-election after the completion of the current audit) nor was it dismissed.
 - (3) No new independent accountant has been engaged as either the principal accountant to audit the registrant's financial statements or as an independent accountant on whom the principal accountant has expressed or is expected to express reliance in its report regarding a significant subsidiary, notwithstanding any previous disclosure.

There is no change in the auditing firm or handling partner in the two most recent calendar years and in the interim period. There are no changes and disagreements with accountants on accounting and financial disclosure.

Item 8. Compensation Plans

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

There are no stock options, warrants or rights plan or any other type of compensation plan.

Item 9. Financial and Other Information

Audited Financial Statements as of December 31, 2014, Management's Discussion and Analysis and Market Price of Shares and other data related to the Company's financial information are attached thereto. The schedules required under Part IV(c) of Rule 68 are included in the Annual Report.

Item 10. Mergers, Consolidations, Acquisitions and Similar Matters

There is no action to be taken with respect to any transactions involving the following: (1) the merger of consolidation of the Corporation into or with any other entity; (2) the acquisition by the Corporation or any of its stockholders of securities of another person or entity; (3) the acquisition by the Corporation of any other going business or of the assets thereof; (4) the sale or other transfer of all or any substantial part of the assets of the Corporation; and (5) the liquidation or dissolution of the Corporation.

Item 11. Acquisition or Disposition of Property

There is no action to be taken with respect to any material acquisition or disposition of any property of the Corporation.

Item 12. Restatement of Accounts

There is no action to be taken with respect to the restatement of any asset, capital, or surplus account of the Corporation.

D. OTHER MATTERS**Item 15. Action with Respect to Reports**

- (a) The Annual Report and Audited Financial Statements for the year ended December 31, 2014 will be presented to the stockholders for approval by a majority vote of the stockholders. Approval of the Annual Report and Audited Financial Statements constitutes a ratification of the Corporation's performance during the previous fiscal year as contained therein.
- (b) Minutes of the Annual Stockholders' Meeting held last December 19, 2014 will also be presented to the stockholders for approval by a majority vote of the stockholders.
- (c) Ratification of the Corporate Acts of the Board of Directors and Executive Officers since December 20, 2014 by a majority vote of the stockholders.
- (d) Approval and ratification of the actions and proceedings taken by the Board of Directors and Corporate Officers regarding the BPC Project.
- (e) Election of the members of the Board of Directors for the ensuing year
- (f) Appointment of External Auditor by a majority vote of the stockholders.

Below is a summary of the Corporate Acts of the Board of Directors and Executive Officers subject to ratification of the stockholders:

April 25, 2014

- a. Deferment and rescheduling of the annual stockholders' meeting from May 30, 2014 to November 28, 2014 at 2:00 in the afternoon at One Café and Events Place, 6th Flr. One Corporate Centre, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City. The Corporation set October 27, 2014 as record date for purposes of determining the shareholders entitled to receive Notice of Meeting and to vote and be elected during said meeting.
- b. Authorization for Mr. Renato B. Magadia, Atty. Nestor S. Romulo and Ms. Carmelita E. Elegio to transact business with BDO Stock Transfer Agency and to sign and execute all the necessary documents required thereto.
- c. Authorization for Mr. Jason Boado to deliver to, and/or pick up from BDO Unibank, Inc. reports, diskette/CDs, stock certificates in the ordinary course of business.

October 10, 2014

- a. Approval of the audited financial statements for the year ended December 31, 2007 to 2013 including independent auditor's report.
- b. Approval of the amendment of the Article III of the Articles of Incorporation due to change of principal office address of the company from 22nd Flr. Citibank Tower, 8741 Paseo De Roxas, Makati City to 35th Flr. One Corporate Center, Doña Julia Vargas cor. Meralco Aves. Ortigas Center, Pasig City.

October 24, 2014

Deferment and rescheduling of the annual stockholders' meeting from November 28, 2014 to December 19, 2014 at 1:00 in the afternoon at One Café and Events Place, 6th Flr. One Corporate Centre, Doña

Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City. The Corporation set November 27, 2014 as record date for purposes of determining the shareholders entitled to receive Notice of Meeting and to vote and be elected during said meeting.

November 26, 2014

- a. Acceptance and approval of resignation of Mr. James B. Palit-Ang as director but he will remain as corporation's treasurer.
- b. Approval of the changed of designation of director Ricardo M. De La Torre from independent director to regular director effective immediately.
- c. Approval by Nomination Committee of the nomination of Atty. Miguel B. Varela as independent director on the upcoming annual stockholders' meeting on December 19, 2014.

April 6, 2015

Approval of the audited financial statements and independent auditor's report for the year ended December 31, 2014.

May 8, 2015

Deferment and rescheduling of the annual stockholders' meeting from any day in May 2015 to August 28, 2015 at 2:00 in the afternoon at One Café and Events Place, 6th Flr. One Corporate Centre, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City. The Corporation set July 31, 2015 as record date for purposes of determining the shareholders entitled to receive Notice of Meeting and to vote and be elected during said meeting.

Item 17. Amendment of Charter, By-Laws or Other Documents

Except for the amendment of the Article III of the Articles of Incorporation, amendments of which are still in process by the Securities and Exchange Commission, as approved by more than 2/3 of the outstanding capital stock of the Corporation on last year's annual stockholders' meeting, there are no amendments made to the Corporation's charter and by-laws for the year 2014 and as of the date of this report.

Item 19. Voting Procedures

- (a) An affirmative vote by the stockholders owning at least a majority of the outstanding capital stock shall be sufficient for the approval of 1) Minutes of the Previous Stockholders' Meeting 2) Financial Statements 3) Ratification of Corporate Acts of the Board of Directors and Officers of the corporation as reflected in the minutes 4) Appointment of External Auditor.
- (b) The holders of a majority interest of all outstanding stocks of the Corporation entitled to vote at the meeting present in person or by proxy, shall constitute a quorum for the transaction of business.
- (c) The holders of common stock are entitled to one vote per share, but in connection with the cumulative voting feature applicable to the election of directors, each stockholder is entitled to as many votes as shall equal the number of shares held by such person at the close of business on the record date, multiplied by the number of directors to be elected. A stockholder may cast all of such votes for a single nominee or may apportion such votes among any two or more nominees. The shares shall be voted/cast by secret balloting and/or raising of hands. In all matters included in the agenda, except the election of directors, stockholders are entitled to one vote per share. For the election of directors, the counting will be cumulative. The counting of votes will be done by the Corporate Secretary with the assistance of the representatives of the Corporation's independent auditors, Valdes Abad & Associates and Stock Transfer Agent, BDO Unibank, Inc. All votes attaching to the shares owned by stockholders whose proxies were received by the Corporation will be cast in accordance with the instructions given or authority granted under the proxies.

PART II.

INFORMATION REQUIRED IN A PROXY FORM

(This form shall be prepared in accordance with paragraph (5) of SRC Rule 20)

NOT APPLICABLE

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on July 21, 2015.

METRO ALLIANCE HOLDINGS & EQUITIES CORP.

By:



ATTY. NESTOR S. ROMULO
Corporate Secretary

Upon the written request of the stockholder, the Corporation undertakes to furnish said stockholder a copy of the SEC Form 17-A free of charge. Any written request for a copy of the SEC Form 17-A shall be addressed as follows:

Atty. Nestor S. Romulo
Corporate Secretary
Metro Alliance Holdings & Equities Corp.
35th Floor One Corporate Centre,
Doña Julia Vargas cor. Meralco Ave.,
Ortigas Center, Pasig City

CERTIFICATE OF INDEPENDENT DIRECTOR

I, **MIGUEL B. VARELA**, Filipino, of legal age and resident of **126 Cordillera St., Sta. Mesa Heights, Quezon City** after having been duly sworn in accordance with law do hereby declare that:

1. I am Independent Director of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.**
2. I am affiliated with the following companies or organizations:

Company	Position	Period of Service
Emperador, Inc.	Independent Director	2013 – Present
Megaworld Corporation	Independent Director Vice Chairman	2006 – Present
Global Ferronickel Holding, Inc.	Director	2014 – Present
Ausphil Tollways Corporation	Director	2008 – Present
Global Estates Resorts, Inc.	Independent Director	2012 – Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.**, as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities Regulation Code.
5. I shall inform the corporate secretary of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.** of any changes in the above mentioned information within five days from its occurrence.

Done this JUL 20 2015, 2015 at MANILA.


MIGUEL B. VARELA
Affiant

SUBSCRIBED AND SWORN TO before me this JUL 20 2015 at MANILA, affiant exhibiting his Community Tax no. 28663808 at Quezon City, Metro Manila on 06 April 2015.

Doc. No. 256
Page No. 52
Book No. 118
Series of 2015


ATTY. RICHARD L. ANOLIN
NOTARY PUBLIC until December 31, 2015
COM. # 014-058
FOR CITY OF MANILA & PHILIPPINES
ID# 06179 02 25 05/MLA
PTR NO. 3825182 01/05/15/MLA
R# 01 No. 33596
MOLE COMPLIANCE NO IV-002385018/15/14
RDJULFO ANOLIN AND ASSOCIATES LAW OFFICE
2/F YMCA OF MANILA BLDG.
#888 ANOTNIO VILLEGAS ST.,
Pasay City, Metro Manila 1205
E-mail: rlanolin@yahoo.com
Tel: 02-005-209

CERTIFICATE OF INDEPENDENT DIRECTORS

I, **ROGELIO D. GARCIA**, Filipino, of legal age and resident of **Unit 91 Goldloop Towers, JM Escrivá Drive, Ortigas Center, Pasig City**, after having been duly sworn in accordance with law do hereby declare that:

1. I am NOMINEE for Independent Director of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.**
2. I am affiliated with the following companies or organizations:

Company	Position	Period of Service
Wellex Industries, Inc.	Chairman of the Board	Since 2005
Forum Pacific, Inc.	Chairman of the Board	Since October 3, 2014
	Director	Since 2004

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.**, as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities Regulation Code.
5. I shall inform the corporate secretary of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.** of any changes in the above mentioned information within five days from its occurrence.

Done this JUL 20 of 2015, 2015 at MANILA.


ROGELIO D. GARCIA
Affiant

SUBSCRIBED AND SWORN TO before me this JUL 20 2015 at MANILA, affiant exhibiting his Tax Identification No. 108-672-299-000 issued by the Bureau of Internal Revenue.

Doc. No. 257
Page No. 52
Book No. 118
Series of 2015


ATTY. EDUARDO L. ANOLIN
Notary Public, Commission Expires December 31, 2015
CRIMINAL NO. 2014-058
FOR CITY OF MANILA PHILIPPINES
ID# 1512902 01/05/15/MLA
PTR NO. 3518182 01/05/15/MLA
ROR NO. 32198
MOBILE COMM-LIANCE NO IV-002385018/16/14
RODOLFO ANOLIN & ASSOCIATES LAW OFFICE
2/F YAMSA OF MANILA BLDG.
840 ANTONIO M. VELASCO ST.,
EDSA - ALABANG, ALABANG, MARIKINA CITY, PHILIPPINES
E-mail: eduardoanolin@yahoo.com
TEL: (02) 888-288

Republic of the Philippines
MANILA) S.S.

CERTIFICATION

I, **NESTOR S. ROMULO**, Filipino, of legal age, with office address at Unit 202 20th Flr. Antel 2000 Corporate Center, 121 Valero St., Salcedo Village, Makati City, after having been duly sworn in accordance with law do hereby declare that:

1. I am the Corporate Secretary of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.** (the 'Company'), a corporation organized and existing under Philippine law, with principal office address at 35th Floor One Corporate Center, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City;
2. All incumbent directors and officers of the Company are not connected with any government agency or its instrumentalities.


NESTOR S. ROMULO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this JUL 20 2015 of _____ 2015, in MANILA, affiant exhibiting to me her Tax Identification No. 107-200-723-000 issued by the Bureau of Internal Revenue.

Doc. No. 258
Page No. 52
Book No. 718
Series of 2014.


ATTY. RICHARD L. ANOLIN
 Notary Public until December 31, 2015
 CHSOFER ROAD NO. 1014-059
 P.O. BOX 182 MANILA PHILIPPINES
 IBF LIFETIME NO. 05179/02 25 05/MLA
 PIR NO. 3826182 0105/15/MLA
 Roll No. 13596
 MOIE COMPLIANCE NO IV-002385018/16/14
 RICHARD ANOLIN AND ASSOCIATES LAW OFFICE
 2/F WING CHAI MANDA BRIDGE
 #200 ANTONIO VIALERAS ST.
 EDSA MANDALAY CITY - 1550-0086
 Email: atty.richardanolin@yahoo.com
 TIN: 310-045-002

**METRO ALLIANCE HOLDINGS & EQUITIES CORP.
MANAGEMENT REPORT
AS REQUIRED BY SRC RULE 20
INCLUDING FINANCIAL INFORMATION FOR 2ND QUARTER OF 2015**

Item 1. Business

A. Description of Business

(1) Business Development

Metro Alliance Holdings & Equities Corp. (MAHEC or the Company) is a holding company with investments in various subsidiaries. The Company and its subsidiaries (collectively referred to as "the Group") are involved in the manufacture of chemicals and contract logistics. In 2007, the Company's interest in certain subsidiaries previously engaged in the importation and distribution of polypropylene resin and pharmacy management has ceased operations.

MAHEC was first incorporated in October 15, 1929 as a management and trading company called Marsman & Company, Inc. (Marsman). Marsman was listed on the Philippine Stock Exchange in 1947. The Company changed its name to Metro Alliance Holdings & Equities Corp. as approved by the stockholders on the annual meeting on April 6, 1999 and subsequently approved by Securities and Exchange Commission on October 11, 1999.

The registered office address of the Company is at 22nd Citibank Tower, 8741 Paseo De Roxas, Makati City. They transferred to 35th Flr. One Corporate Centre, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City last November 2010. Amendment of articles of incorporation due to change of business address is still pending before the Securities and Exchange Commission.

Status of Operation

The Company and Polymax Worldwide Limited (Polymax), its special purpose entity incorporated in British Virgin Island entered into a series of acquisition transactions (see details below) to acquire ownership of the petrochemical plant of NPC Alliance Corp. (NPCA), which resulted in a 2006 disputed sale of Polymax's 60% interest in NPCA to NPC International Limited (NPCI) and Petrochemical Industries Investment Company (PIIC). Subsequently on August 27, 2013 the Company and Polymax entered into a settlement agreement with NPCI, PIIC and NPC to resolve the dispute. On the basis of the settlement agreement, the previously issued 2006 consolidated financial statements of the Company and its subsidiaries were restated to reflect the sale of Polymax's 60% interest in the petrochemical plant.

The remaining 40% of Polymax's interest which is valued at P900 million, which is estimated recoverable amount from the sale of investment. The realization of the Company's advances to Polymax (an unconsolidated special purpose entity in 2007) and the settlement of Polymax's past due liabilities for which the Company is jointly and severally liable, depends on whether sufficient cash flows can be generated from Polymax's 40% interest in NPCA, which is for sale, and from a letter of comfort issued by the Wellex Group of Companies in favor of the Company. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

The Group's last audited consolidated financial statements were for the year ended December 31, 2006. Due to uncertainties surrounding the acquisition transactions of the Bataan petrochemical plant, as discussed in succeeding paragraphs, the scope of the 2007-2013 audit was completed by the independent auditors and the reports were approved by the Board of Directors on October 10, 2014.

Acquisition Transactions

On December 4, 2003, the Company entered into a Memorandum of Agreement (MOA) with Polymax, whereby the Company confirmed the designation of Polymax as the acquiring company in the proposed acquisition of the senior secured debt papers of BPC from International Finance Corporation (IFC). Under the MOA, the Company and Polymax agreed that (a) the acquisition of the secured debt paper would be for the account and benefit of the Company; (b) the funding for the acquisition would be provided and arranged by the Company; and (c) the exercise of creditor rights arising from the secured debts via foreclosure and takeover of the assets of BPC would be directed by and for the account and benefit of the Company. In addition, the Company would make certain advances to Polymax.

On December 19, 2003, Polymax and IFC entered into an Assignment and Transfer Agreement (the Agreement) for the purchase by the former of the senior secured debt papers of BPC. The Company advanced to Polymax the initial deposit of US\$5 million, which was remitted to IFC for the assignment payment, pursuant to the terms of the Agreement. On February 11, 2004, IFC confirmed that it has received the full payment for the assignment of the senior secured debt papers of BPC.

To partially finance the Company's advances relating to the Petrochemical Project, the Company obtained short-term loans from local banks (see Note 9). With the delay in the completion of the activities and the conditions required for the Petrochemical Project, the Company was unable to pay the bank loans on maturity dates. As of December 31, 2006, the amounts payable to the banks totaled ₱866.7 million, consisting of the outstanding principal balance of ₱378.3 million and finance charges of ₱488.4 million. In 2007 these past due liabilities were transferred to and applied against the advances made to Polymax.

Pursuant to the Company's plan of acquiring full control of BPC, instead of exercising creditor rights, the Company, on April 16, 2004, entered into a Share Purchase Agreement (SPA) with BPC, Tybalt Investment Limited (TIL), BP Holdings International B.V. (BPHI) and Petronas Philippines, Inc. (PPI) with TIL as the purchase of the 83% interest of the foreign shareholders of BPC. As agreed by the parties, the SPA is to take effect as of March 31, 2004, subject to closing conditions, as defined in the SPA, which the parties have to comply with within a period of 60 days or later if the conditions are not met.

On July 7, 2005, Polymax and BPC executed a Deed of Conveyance, transferring to Polymax under an asset for share swap, the petrochemical plant of BPC in exchange for 85 million common shares of Polymax with par value of US\$1 per share, or a total par value of US\$85 million.

On July 20, 2005, the Company, Polymax and NPC International Limited (NPCI) entered into an SPA which provided that, subject to certain conditions, including the transfer of the petrochemical plant of BPC free from encumbrances, NPCI will acquire 60% of the issued share capital of NPC Alliance, Corp. (NPCA) from Polymax.

On August 9, 2005, Polymax and NPCA executed a Deed of Conveyance, transferring to NPCA, under an asset for share swap, the same petrochemical plant in exchange for 4.8 million shares of common stock of NPCA with a total par value of ₱4.8 billion, resulting in 100% ownership interest of Polymax in NPCA.

On November 15, 2005, BPC and Polymax executed a Deed of Assignment whereby BPC transferred and conveyed to Polymax all its rights and interest to Polymax's 85 million shares of common stock, with a total value of US\$85 million, in exchange for the discharge of a portion of BPC's secured debt, which was acquired by Polymax from IFC, up to the extent of the value of the shares transferred. Polymax retired the said shares 10 days from the date the Deed of Assignment.

On December 16, 2005, Polymax, NPCI, Petrochemical Industries Investment Company (PIIC) and the Company entered into an amended SPA whereby NPCI and PIIC will purchase 40% and 20% of NPCA's shares of common stock, respectively, from Polymax. In addition to the conditions set forth in the original SPA, the amended SPA also involves advances to be provided by NPCI amounting to US\$15 million representing an advance payment which may be used to fund the bona fide third party costs of NPCA or BPC for the recommissioning, operation and maintenance of the petrochemical plant or such other third party cost or expenses, taxes or duties as agreed between Polymax and NPCI.

On the same date, the Company, NPCI and PIIC entered into a Guaranteed and Indemnity agreement whereby the Company irrevocably and unconditionally guaranteed the prompt performance and observance by Polymax and the payment on demand by Polymax of all moneys, obligations and liabilities which are now or at any time after the execution of the agreement become due from or owing or incurred by Polymax under or in connection with any of the SPA and the Shareholders' Agreement. The Company also guaranteed that it shall be liable for Polymax's obligations, as if it were a principal debtor, if Polymax's obligations are no longer recoverable from Polymax.

On March 18, 2006, Polymax, NPCI, PIIC and the Company entered into an Agreement of Variation (March 2006 Variation Agreement) to vary and amend the terms of the Amended and Restated Share Purchase Agreement (ARSPA) and the Shareholders' Agreement entered on December 16, 2005. Under the March 2006 Variation Agreement, completion of the conditions and conditions subsequent set forth in the ARSPA was extended to April 30, 2006. Moreover, additional conditions that Polymax needs to satisfy prior to completion were agreed upon.

On the same date, Polymax and NPCI executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to NPCI all the rights, title and interest in 19,090,000 NPCA shares of common stock, equivalent to 40% ownership interest, for a consideration of ₱1.91 billion.

On September 11, 2006, Polymax, NPCI, PIIC, the Company and NPCA entered into another Agreement of Variation (September 2006 Variation Agreement) to further vary and amend the terms of the ARSPA and the Shareholders' Agreement (both initially amended and varied by the March 2006 Variation Agreement). Polymax, in accordance with its obligations under the ARSPA, had notified NPCI and PIIC that it is aware that certain conditions will not be fulfilled by April 30, 2006. As a result, the parties agreed to transfer to PIIC the 9,545,000 NPCA shares of common stock prior to completion, while certain conditions will become conditions subsequent to be completed on December 31, 2006.

On September 20, 2006, Polymax and PIIC executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to PIIC all the rights, title and interest in 9,545,000 NPCA shares of common stock, equivalent to 20% ownership interest, for a consideration of ₱954.5 million.

On December 31, 2006, the ARSPA Variation Agreement expired with the conditions subsequent remaining unsettled. Nevertheless NPCI and PIIC took control of the petrochemical plant resulting in a dispute with the Company and Polymax, which considered the sale of Polymax's 40% and 20% interest in the petrochemical plant to NPCI and PIIC as null and void.

On August 21, 2007, the petrochemical plant started commercial operations under NPCI and PIIC.

Subsequently on August 27, 2013, the Company and Polymax ("Respondents") entered into a settlement agreement with NPCI, PIIC and NPC ("Claimants") to resolve the dispute arising from the uncompleted acquisition transactions described above. Under the agreement, NPCI shall, among others, pay Polymax the remaining balance of the purchase price of the 60% NPCA shares net of deductions agreed by the parties. Simultaneous with the execution agreement, Polymax shall also sell to NPCI an additional 20% of Polymax's interest in NPCA from the remaining 40% equity holding in NPCA at US\$8 million or its equivalent in Philippine peso. In September 2013 and August 2014, the remaining balance due to Polymax was paid by NPCI and the 20% interest of Polymax in NPCA was sold to NPCI, respectively, in accordance with the agreement.

As a result of the foregoing settlement, the arbitration tribunal issued on October 2, 2014 an order for withdrawal of the arbitration cases (under the United Nations Commission on International Trade Law Rules of Arbitration), which were earlier filed by the parties due to the dispute arising from their various agreements.

Business Development of the Subsidiaries:

Metro Combined Logistics Solutions, Inc. (MCLSI) (Formerly GAC Logistics, Inc. (GACL))

MCLSI is 51% owned by MAHEC, by virtue of a joint venture agreement with Gulf Agency Company (GAC) which owns the other 49%. MCLSI is registered with the Securities and Exchange Commission on September 30, 1998. MCLSI is primarily engaged in carrying on all or part of the

business of contract logistics and supply chain management services, including third party warehousing and distribution, consultancy and project management and value added services to customers throughout the Philippines. MCLSI's business is steadily growing with the entry of new principals and additional businesses from its existing principals.

Mabuhay Vinyl Corporation (MVC)

Mabuhay Vinyl Corporation (MVC) was 42.69% owned by MAHEC as of December 31, 2006. In 2007, the Company sold its 37.69% interest in MVC, retaining 5% which was reclassified to AFS investments and ceased to be a subsidiary as of December 31, 2007. The remaining 5% was subsequently sold in 2012.

Non-operating Subsidiaries

Consumer Products Distribution Services, Inc. (CPDSI) is a wholly owned subsidiary of Metro Alliance. It was first incorporated on November 11, 1993 as Metro Drug Distribution, Inc. (MDDI). In November 7, 1997, the Securities and Exchange Commission approved the renaming of MDDI to CPDSI. Prior to 2002, CPDSI was involved in providing logistics and administrative services in connection with the sale and distribution of principals' products. The last service agreement expired in 2002. In January 2002, CPDSI shifted into the business of importation and toll manufacturing of propylene and distribution of polypropylene in the local market. In April 2003, CPDSI ceased its polypropylene business operations due to the substantial increase in prices of imported raw materials. Management intends to continue pursuing the petrochemical business. Currently, CPDSI has no business operations.

FEZ-EAC Holdings, Inc. became a wholly owned subsidiary of the Corporation in November 11, 2002. It was incorporated in February 3, 1994. It ceased operations at the end of 2001 following the expiration of the third party logistics contract of its subsidiary with Phillip Morris Philippines, Inc.

Zuellig Distributors, Inc. is a wholly owned subsidiary of the Corporation. It ceased operations in June 30, 1999 following the expiration of its exclusive distribution agreement with its single principal. It was incorporated in October 18, 1985.

Asia Healthcare, Inc. is 60% owned by the Corporation. AHI was first incorporated in July 2, 1918. In August 2000, the Corporation invested in AHI. However, in 2002, it ceased operations due to heavy losses. The low volume and minimal margin on the sales of pharmaceutical products have not been sufficient to cover the costs of the services and products provided by AHI. Consequently, AHI was constrained to terminate contracts with its clients and cease its business operations. On December 17, 2002, AHI filed a voluntary petition for insolvency with the Pasig City Regional Trial Court (RTC). On February 27, 2003, the Pasig City RTC declared AHI as insolvent.

Bankruptcy, receivership and similar proceedings

Except for AHI which filed for insolvency in December 2002, Metro Alliance and its subsidiaries are not involved in any bankruptcy, receivership or similar proceeding.

Material reclassification, merger consolidation or purchase

Aside from the sale of the company's 37.69% and 5% interest in 2007 and 2012, respectively, in Mabuhay Vinyl Corporation (MVC), there is no material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

(2) Business of Metro Alliance

(a) Description of Registrant

(i) Principal products and services

Metro Alliance is a publicly listed holding company with investments in shares of stock of other listed companies and investment in subsidiary involved in contract logistics and supply chain management services, including third party warehousing and distribution, consultancy and project management and

value added services to customers throughout the Philippines.

Principal products or services of its subsidiaries MCLSI:

MCLSI

MCLSI provides contract Logistics and Supply Chain Management Services to meet the business needs of major companies in the Philippines. Contract logistics and supply chain management services include third party warehousing and distribution, consultancy and project management services to multinational and local companies which include Rustans Supermarkets, Inc. (RSI), Johnson & Johnson (Phil.), Inc. (J & J), Interphil Laboratories, Inc. (ILI), and Zuellig Pharma Corporation (ZPC), ZPC – Repacking (ZPC-R) and Bayer Animal Health (Phils.) (BAH). Revenue contribution of each principal for the year 2014 is as follows:

Principal	Service Income (millions)	% to Total
RSI	44.69	35%
J&J	29.37	23%
ZPC	19.15	15%
ILI	16.60	13%
ZPC-R	8.94	7%
BAH	6.38	5%
Others	2.56	4%
Total	₱127.69	100%

(ii) Export sales

Metro Alliance and its subsidiaries are not engaged in export sales.

(iii) Distribution Methods of the Products

MCLSI

The core of MCLSI contract logistics services is warehouse and transport management. It leases dedicated warehouses or operates warehouses leased/owned by its principals and contracts dedicated personnel to manage its warehouses. Its principal's products are shipped mostly in four and six-wheeler closed van through a shipping and cargo services company.

(iv) Publicly-announced new product or service.

Metro Alliance and its subsidiaries have no publicly-announced product or service.

(v) Competition

MCLSI

MCLSI is part of the GAC group. GAC is a leading international shipping services and transportation company, operating in the Middle East, Eastern Mediterranean, Red Sea and the Indian Subcontinent and the Far East. Thus, the local GAC subsidiary plays an important role in arranging transport of bulk cargo and providing freight cover for MCLSI at a very competitive rates both domestically and around the region. MCLSI's main competitors include IDS Logistics, DHL-Exel, Shenker, Fast Services, Agility (formerly Geologistics) and Air 21. The quality of MCLSI's services compared to their competitors is extremely difficult to determine. However, the fact that MCLSI has been able to secure new contracts with new principals as well additional contracts with existing principals is indicative that service levels are satisfactory.

(vi) Sources and availability of raw materials and principal supplier

Since the Company ceased to have control or have sold its interest in MVC, which involves in the manufacturing of chemicals which are widely used in household applications, there are no sources and availability of raw materials and principal supplier to be disclosed.

(vii) Dependence on one or few major customers

Metro Alliance and its subsidiaries are not dependent on any one industry, company or customer. Likewise, no single customer accounts for 20% or more of total sales.

(viii) Transactions with and/or dependence on related parties

Metro Alliance has significant transactions with related parties which include the granting and availment of interest and non-interest bearing cash advances. Transactions with and/or dependence on related parties is discussed in detail in Item 12, Certain Relationships and Related Transactions, of this report.

(ix) Patent, trademark, copyright, franchise, concession or royalty agreement

Metro Alliance and its subsidiaries are not covered with any patent, trademark, copyright, franchise, concession or royalty agreement.

(x) Government approval of principal products or services

There is no need for any government approval on principal products of Metro Alliance and its subsidiaries.

(xi) Effect of existing or probable governmental regulations on the business

Since the Company ceased to have control or have sold its interest in MVC, any existing or probable governmental regulations has no effect on the business of Metro Alliance and its remaining operating subsidiary, MCLSI.

(xii) Estimate of the amount spent during each of the last three calendar years on research and development activities

There are no such activities in Metro Alliance and its other subsidiaries.

(xiii) Costs and effects of compliance with environmental laws

Metro Alliance has secured the required permits and clearances from the Health Sanitary Department of the City Government of Pasig to comply with the applicable environmental regulations. A strict compliance with other environmental agencies such as DENR is no longer required since Metro Alliance ceased to have control or have sold its interest MVC, which has manufacturing facilities for producing chemicals.

(xiv) Total Number of Full Time-Employees (as of December 31, 2014):

Metro Alliance

Metro Alliance has two (2) regular employees: one (1) administrative managerial employee and one (1) administrative executive employee. No CBA. There has been no strike or any similar threat for the last 3 years. Except for 14th month and 15th month bonuses and conversion of unused sick leaves, there are no other supplemental and incentive arrangements with its employees.

MCLSI

	<i>Rank and File</i>	<i>Supervisors</i>	<i>Managers and up</i>	<i>Total</i>
Operations	167	12	4	183
Administrative	4	2	5	11
Total	171	14	9	194

No CBA. There has been no strike or similar threat within the last three (3) years. There are no supplemental and incentive arrangements with its employees. The number of employees will be increased only upon entry of new principals.

(xv) Major Risks

Metro Alliance

Capital availability, access to credit and high borrowing rates. Negotiations with local and foreign investors, both banking and non-banking institutions are currently being pursued.

Metro Alliance's financial instruments consist of cash, advances to or from affiliates, loans and long-term debt. The carrying amounts of these financial instruments, which are currently due and demandable, approximate their respective fair values as of balance sheet date. The main risk arising from Metro Alliance's financial instruments are interest rate risk, credit risk and liquidity risk. The

Board of Directors reviews and approves policies for managing each of the risks.

Interest rate risk. Metro Alliance exposure to the risk for changes in the market interest rates relates to its loan payable and long term debt, which principally bear floating interest rates.

Credit risk. It is Metro Alliance's policy to require all concerned affiliates and /or third party to comply and undergo a credit verification process with emphasis on their capacity, character and willingness to pay. In addition, receivables are closely monitored so that exposure to bad debts is minimized. Metro Alliance deals only with legitimate parties. As to other financial assets of Metro Alliance like cash, the credit risk arises only in case of default of the counterparty and the maximum exposure is limited to the carrying amount of the instruments.

Liquidity risk. Metro Alliance objective is to maintain a balance between flexibility and continuity of funding. However, because of the default on the payment of interest and principal amortizations on existing debts, Metro Alliance access to funds has been limited to those of its related parties in the form of advances. Current working capital requirements will continue to be sourced from short-term loans and advances from related parties.

MCLSI

Contract logistics is basically a risk-free business. During the negotiation stage, budgets and performance standards are defined, discussed and agreed with the principal. All costs and expenses are passed on to the principal. The principal advances the total budgeted cost and expenses at the beginning of the month making the operation sufficiently liquid. Excess cash reverts back to the principal and any overspending by MCLSI is normally discussed, supported and reimbursed.

MCLSI's financial instruments consist of cash, receivables, accounts payables and obligations under finance lease. It is, and has been throughout the year under review, MCLSI's policy that no trading in financial instruments shall be undertaken. The main risk arising from MCLSI's financial instruments are credit risk and liquidity risk. MCLSI's board of directors reviews and approves policies for managing these risks.

Item 2. Properties

Description of Property

Metro Alliance

Metro Alliance leases a 40 square meter office space located at the 35th Floor, One Corporate Centre, Dona Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City where it transferred last 2010 from its registered principal office address at 22nd Floor Citibank Tower, 8741 Paseo de Roxas, Makati City. Amendment of the articles of incorporation for the change of official business address will be recommended for approval at the annual stockholders' meeting. Monthly net rental fee is P22,050. Lease contract is for two years starting April 2014 and renewable every two years.

There are no plans to acquire properties in the next 12 months.

MCLSI

MCLSI leases 9,154 square meters of warehouse space located in Paranaque City for its principal, Johnson & Johnson. Lease rental is approximately Php400,000.00 per month. Lease term is co-terminus with the company's service contract with the principal. For its services to Rustans and Shopwise, the company maintains a lease arrangement with JM Processing & Freezing Services Inc. for the use of its cold storage facilities located in Faraday Makati City. Lease rate is on a per cubic meter of space occupied. The other warehouses for its other principals are either owned or leased by the respective principals.

Starting in January 2012, MCLSI sub-leases 88 square meters of office space at Unit 2002 Antel Corporate Center Valero St. Makati City at a lease rental of P63,000 per month. Initial term of the lease is for two years and was renewed for one year when it expired in January 2014. Current lease is set to expire on January 31, 2015 and will be renewed for another year. To expedite its services to Rustans and Shopwise, the company also leases an 18.7 square meters of office space with Polar

Bear Freezing and Storage Corporation located at Bagumbayan Taguig City. The term of the lease is one year starting in May 2013 and renewable annually.

MCLSI also leases six battery and electrical forklifts and 5 units hand pallet for its warehouses in Parañaque and Cebu. Total monthly rentals are P256,000 and P5,600 respectively. Lease term is for one year, renewable at the option of both parties.

Details of the lease are as follows:

Warehouse Equipment	Location	Monthly Lease (in Php)	Lease Term
Hand pallet (2 units)	Parañaque City	5,600	December 1, 2013 to December 31, 2014
Hand pallet (3 units)	Cebu City	5,600	September 1, 2013 to September 30, 2014
Shinko Battery Operated Forklift (2 units)	Parañaque City	26,992	December 1, 2013 to December 31, 2014
Shinko Battery Operated Forklift complete with attachments and accessories (2 units)	Cebu City	114,504	December 8, 2013 to December 31, 2014
Shinko Battery Operated Forklift complete with attachments and accessories (2 units)	Cebu City	114,504	March 31, 2013 to March 31, 2014

There are no planned acquisitions or lease of properties within the next 12 months.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

A copy of the Audited Consolidated Financial Statements as of December 31, 2014, and the Unaudited 2nd Quarter 2015 Financial Statements are herein attached.

a. Plan of Operation

The Group, having resolved its disputes with the foreign parties involved in the Bataan petrochemical project, will explore business opportunities for the next twelve months. The Group will reorganize its operations; evaluate its remaining assets; review all pending legal cases; and settle and resolve its outstanding issues with other regulatory government bodies. The Group assures the public that it will focus on traditionally stable industries or sunrise sectors in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

During 2014, 20% of the 40% remaining interest of Polymax in NPCA was sold. The Board will discuss on their succeeding meetings on how best to proceed on this investment. The Board will outline business target projects including possible investment in mining industry. MAHEC's remaining operating subsidiary, MCLSI, is steadily growing with additional businesses from its existing principals.

Projected Plan for the next 12 months:

Investment and sources of capital

The company has remained steadfast to regain its status as a going concern. In line with this, several actions were taken to conserve the company's resources and build confidence for its business direction:

- a) Cessation of operations of subsidiaries that were losing operations and those that became inactive;
- b) Commitment by the majority shareholders of the company to guaranty the recoverable value of the remaining "assets for sale" in its books in order that the company's equity be preserved;
- c) Accepting the settlement of disputed issues between the shareholders of NPC Alliance Corporation and recognizing the resulting loss adjustments to reflect the realizable value of the investments of the Company related to the petrochemical project;
- d) Liquidation of its bank obligation in respect to the Mabuhay Vinyl investment by way of "dacion" to a mortgagee bank;
- e) Sale of the Company's remaining shares in Mabuhay Vinyl to generate cash for the Company;
- f) Clearing of its remaining bank obligations to free the company from debts;
- g) Continuous filings with relevant government agencies;
- h) Maintaining a lean organization to sustain its operation during the said period.

Furthermore, the majority shareholders, which are 75% of the traded shares, have signified their intention to conduct a tender offer in the vicinity of Php 0.50 per share, within thirty (30) days after the lifting of Company's trading suspension, in order to gain back investor confidence in the Company.

Recapitalization of the Company to meet the Projected Investments in New Venture

The company has a pending application with the SEC to increase its capital stock to P5 billion to be split – 60% Class A shares and 40% Class B shares at par value of P1.00 to meet its projected investments after the tender offer. Of this amount, P3 billion worth of shares are earmarked to be issued as follows:

1. Majority interest in an operating mining company which is actively producing nickel and has a capital base of P1 billion. This company is presently held by the majority shareholders in joint venture with a Chinese company.
2. A second part of the capital increase amounting to P2 billion will be underwritten by a Chinese Bank to provide momentarily cash infusion to the company for the reacquisition of 80% NPCA shares which were sold to NPC International, an Iranian interest. This will redown to the company regaining 100% ownership of NPC Alliance. The planned acquisition will allow the entry of a Chinese Petrochemical company to buy in the company up to 70% of the company's restructured equity by way of supplying feedstocks for the NPCA ethylene plant. NPC Alliance operation has always been hampered by the lack of feedstocks not being able to put a cracker plant from the very beginning. While this new development is under discussion, we believe that disclosing this at this stage will not hamper the planned acquisition.

The Company is expected to satisfy its cash requirements to finance its projected plans and investments in new venture until the 2nd quarter of 2016. The Company will announce the plan for tender offer on the annual stockholders' meeting.

Realization of Outstanding Receivables from Polymax Worldwide in the Amount of Php 788,662,261.00 as of June 30, 2015

In order that this outstanding receivable will be fully recovered, a payment by dacion of the remaining 20% NPCA shares held by Polymax in NPC Alliance will be assigned to Metro Alliance, thus, making the company the direct shareholders of NPCA.

With the problem of the US and European economic sanction of Iran being resolved, NPCA will now be able to operate profitably, thus, enhancing the remaining value of the NPCA shares.

The estimated present value of the 20% NPCA shares is placed at \$20 Million.

Manpower requirements

The Group does not expect significant changes in the number of employees as it still in the stage of exploring new business opportunities. Manpower will be outsourced if needed.

Capital Asset Aquisition

The Group will make purchases of equipment and machineries in the future if needed especially when investment in mining industry will materialize.

b. Management's Discussion and Analysis

Full calendar years

The following table shows the consolidated financial highlights of the Group for the years ended December 31, 2014, 2013 and 2012:

<i>Balance Sheet</i>	As of December 31 (In Php'000)		
	2014	2013	2012
Current assets	911,894	1,071,686	1,055,155
Noncurrent assets	17,135	12,613	16,311
Total Assets	929,029	1,084,299	1,071,466
Current liabilities	835,634	978,757	964,164
Noncurrent liabilities	5,571	5,571	6,286
Total Liabilities	841,205	984,329	970,450
Stockholder's Equity	87,824	99,970	101,016
Total Liabilities and Stockholder's Equity	929,029	1,084,299	1,071,466

<i>Income Statement</i>	As of December 31 (In Php'000)		
	2014	2013	2012
Sales and services	127,690	123,507	98,062
Cost of sales and services	(102,106)	(103,411)	(73,398)
Gross profit	25,584	20,097	24,664
Expenses	(32,788)	(23,270)	(21,478)
Net Income (Loss) Before Tax	(7,204)	(3,173)	3,185
Income Tax – Current	(2,962)	(2,985)	(523)
Deferred	164	2,186	(1,752)
Net Income (Loss) After Tax	(10,002)	(3,972)	909
Earnings (Loss) Per Share	(₱ 0.040)	(₱ 0.020)	(₱ 0.003)

The Group, having resolved its disputes with the foreign parties involved in the Bataan petrochemical project, will commence to explore business opportunities. As of report date, biggest contributor to the Group's revenue is its logistic arm, MCLSI when it steadily growing for the past several years after. The Group will reorganize its operations; evaluate its remaining assets; review all pending legal cases; and

settle and resolve its outstanding issues with other regulatory government bodies. The Group assures the public that it will focus on traditionally stable industries or sunrise sectors in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

a) Key Performance Indicators

Metro Alliance and its majority-owned subsidiaries key performance indicators follow:

Metro Alliance

Metro Alliance's key performance indicators include the following:

1. Net income
2. Earnings per share – net income attributable to each share of common stock
(net income / weighted number of shares outstanding)
3. Return on average equity – ability to generate returns on investment of stockholders.
(net income / average equity)
4. Debt to total asset ratio – the proportion to total assets financed by creditors.
(total debt / total assets)
5. Debt to Equity ratio – an indicator of which group has the greater representation in the assets of the company
(total debt / equity)

Metro Alliance parent company registered a net loss of ₱13.8 million in 2014 as against ₱5.7 million net loss in 2013. The increase in net loss in 2014 by ₱8.1 million or 142% is due to net effect of increase in representation expense (₱0.7 million), finance cost charged (₱7.2 million) and increase in general and administrative expenses in 2013 (₱1.6 million). Interest and bank charges on the loans obtained for the petrochemical project were passed on to Polymax Worldwide Limited and included in the Advances to Polymax Worldwide Limited account in the parent company balance sheets.

Comparative analysis of Metro Alliance's key performance indicators follows:

Performance indicator	December 31		
	2014	2013	2012
Earnings (loss) per share (in Php)	(0.045)	(0.019)	0.008
Return (loss) on average equity	(0.059)	(0.024)	0.009
Debt to total assets ratio	0.725	0.757	0.751
Debt to equity ratio	2.634	3.123	3.014

MCLSI's key performance indicators include the following:

1. Profitability
 - a. Gross profit margin – measures the profitability of revenues (services) in relation to the cost of services
(gross profit / revenues)
 - b. Net profit margin – ability to generate surplus for stockholders.
(net income / sales)
 - c. Return on assets – ability to generate returns from assets.
(net income / assets)
 - d. Return on equity – ability to generate returns on investment of stockholders.
(net income / stockholders equity)
2. Liquidity ratios
 - a. Current ratio – capacity to meet current obligations out of its liquid assets
(current assets / current liabilities)
 - b. Receivables turnover and days' sales in receivables – measures the ability to collect receivables
(net credit sales / average trade receivables)
(365 days / receivables turnover)

The decrease in MCLSI's gross profit and net profit margins resulted mainly from additional logistics service provided with lower gross profit rates lower than the existing principals.

With the decrease in operating income brought about by the additional business with lower gross profit rates, return on assets and return on equity decreased.

Current ratio increased due to the increase in prepayments related to the additional business.

Comparative analysis of MCLSI's key performance indicators follows:

Performance indicator	December 31		
	2014	2013	2012
Profitability			
a. Gross profit margin	0.200	0.163	0.252
b. Net profit margin	(0.051)	(0.032)	0.009
c. Return on assets	(0.079)	(0.074)	0.071
d. Return in equity	(0.249)	(0.004)	0.009
Liquidity			
a. Current ratio	1.390	1.095	1.094
b. Receivables turnover	1.650	1.653	1.167
c. Days' sales in receivables	221	221	313

CPDSI, FEZ-EAC, ZDI and AHI

Currently, CPDSI, FEZ-EAC, ZDI and AHI have no performance indicators because these are non-operating companies as mentioned above.

CHANGES IN OPERATING RESULTS

2014 COMPARED TO 2013

Net Income and Earnings (Loss) Per Share

The Group registered a consolidated net loss of P10 million in 2014 as against net loss of P3.9 million in 2013 or an increase of P6.1 million or 156%. Earnings (loss) per share for 2014 and 2013 for equity holders of the Parent Company are (P0.04) and (P0.02), respectively. The increase in net loss was net effect of (a) finance cost charged by affiliated company on the long outstanding loan of the parent company for the current year (P7.2 million); (b) decrease in delivery cost of products and services (P1.3 million); (c) additional logistics service provided during the current year (P4.2 million) and increase in general and administrative expenses (P2.6 million). Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group.

Sales and Services

The Group registered gross service revenue of P127.7 million and P123.5 million for the years ended December 31, 2014 and 2013. The increase in revenue of P4.2 million or 3% in 2014 is due to additional businesses from MCLSI's existing principal resulting to new service contracts on its logistics and warehousing operations.

Cost of Sales and Services And Operating Expenses

Total cost and operating expenses for the years 2014 and 2013 amounted to P128.1 million and P126.9 million, respectively. The increase of P1.2 million or 1% is proportion to the increase in sales and net effect of (a) decrease in delivery cost of products and services in 2014 (P1.3 million); (b) increased in general and administrative expenses of operating and non-operating subsidiaries such as increase in personnel cost (P1 million), increase in business taxes and licenses (P0.5 million) and increase in other operating expenses (P1 million).

Other Income (Expenses)

Other income (charges) for the years 2014 and 2013 amounted to (P6.8 million) and P0.2 million, respectively or a decrease of P7 million or 3500%. The decrease pertains to finance cost charged by affiliated companies on the long outstanding payable of the parent company amounting to P7.2 million and a decrease on the dividend income received for the year.

CHANGES IN FINANCIAL CONDITION

2014 COMPARED TO 2013

As discussed in Note 3 to the Consolidated Financial Statements, the following companies are included in Metro Alliance consolidated financial statement: MCLSI, CPDSI, FEZ-EAC, ZDI and AHI. A subsidiary is an entity in which the Company has control. Subsidiaries are consolidated from the date on which control is transferred out of the Company.

Mabuhay Vinyl Corporation (MVC) was 42.69% owned by MAHEC as of December 31, 2006. In 2007, the Company sold its 37.69% interest in MVC, retaining 5% which was reclassified to AFS investments and ceased to be a subsidiary as of December 31, 2007.

Polymax is the Group's special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPCA which resulted in a 2006 disputed sale of Polymax's 60% interest in NPCA to NPC International Limited (NPCI) and Petrochemical Industries Investment Company (PIIC). Subsequently on August 27, 2013 the Company and Polymax entered into a settlement agreement with NPCI, PII and NPC to resolve the dispute. On the basis of the settlement agreement, the previously issued 2006 consolidated financial statements of the Company and its subsidiaries were restated to reflect the sale of Polymax's 60% interest in the petrochemical plant.

The remaining 40% of Polymax's interest which is valued at P900 million, which is estimated recoverable amount from the sale of investment. The realization of the Company's advances to Polymax (an unconsolidated special purpose entity in 2007) and the settlement Polymax's past due liabilities for which the Company is jointly and severally liable, depends on whether sufficient cash flows can be generated from Polymax's 40% interest in NPCA, which is for sale, and from a letter of comfort issued by the Wellex Group of Companies in favor of the Parent Company. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. As explained in the notes to financial statements, management's plan is to infuse additional capital to address the going concern uncertainty.

Assets

Cash and cash equivalents for the years 2014 and 2013 amounted to P22.1 million and P14.4 million, respectively. The increase by P7.7 million or 53% in 2014 is net effect of net cash received from operating activities due to increase in revenue from MCLSI operations amounting P6.6 million, net cash generated from investing activities of P166.6 million and net cash used in financing activities of (P165.6 million).

Receivables amounted to P80.3 million in 2014 and P75.9 million in 2013 (net of allowance for doubtful accounts of P10.8 million and P10.3 million as of December 31, 2014 and 2013). Trade and other receivables went up by P4.4 million or 6% due to the net effect of increase in credit sales from MCLSI operations (P9.8 million or 30%), decrease in other receivables (P4.8 million or 11%), decrease in due from related parties (P0.2 million or 2%) and additional provision for doubtful accounts of P0.4 million in 2014. Other receivables represent non-interest bearing receivables from third party business partners of Polymax that are subject to liquidation and advances to related parties. The Group reviews the carrying amount of receivables at each balance sheet date to reduce the balance to their estimated recoverable amounts.

Prepaid expenses and other current assets amounts to P20.8 million in 2014 and P21.1 million in 2013 (net of allowance for probable losses of P14 million for both years 2014 and 2013). In 2014, the decrease by P0.3 million is net effect of decrease in creditable withholding taxes (P0.9 million), increase in input taxes (P0.3 million), increase in refundable deposits (P0.7 million) and decrease in other prepayments (P0.3 million). The Group reviews the carrying amount at each balance sheet to reduce the balance to their estimated recoverable amounts.

Asset held for sale amounting to P788.7 million and P960.3 million as of December 31, 2014 and 2013 (which constitute 85% and 89%, respectively of the Group's total assets as of December 31, 2014 and 2013, respectively) represents advances to Polymax, the Group's special purpose entity

incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPC Alliance Corporation (NPCA). The decrease of P171.6 million in 2014 pertains to collections from Polymax which is directly applied or paid to the outstanding obligations of the Parent Company to third party creditors.

On March 18, 2006 and September 20, 2006, 40% and 20%, respectively, of Polymax's interest in NPCA was sold. Thereafter management decided to discontinue operations and cease operating as a going concern and exclude the accounts of Polymax in the Group's consolidated financial statements. The remaining 40% interest which is for sale is valued at P900 million, which is the estimated recoverable amount from the sale of investment.

The realization of the Company's advances to Polymax and the settlement of Polymax's past due liabilities for which the Company is jointly and severally liable, are dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 40% interest in NPCA. In this regard and to ensure the recoverability of the Parent Company's advances to Polymax, for which the Parent Company is jointly and severally liable, the Parent Company's major stockholders issued a letter of comfort in favor of the Company on September 30, 2014.

During 2014, 20% and 40% remaining interest of Polymax in NPCA was sold. To reiterate assurance of the collectability of the Parent Company's advances to Polymax, a comfort letter dated April 10, 2015 was issued by the major stockholders of the Parent Company.

Available-for-sale-investments amounted to P6.6 million in 2014 and P6.1 million in 2013. This account includes shares of stocks owned in publicly listed companies. The P0.5 million increased in 2014 pertains to increase in the value of shares of stock in the market. The fair value of these shares has been determined directly by reference to published prices in the active market. Accumulated AFS reserve amounted to P2.8 million and P2.4 million as of December 31, 2014 and 2013.

Property, plant and equipment-net amounted to P5.1 million in 2014 and P1.9 million in 2013. Net increase in property, plant and equipment in 2014 by P3.2 million pertains net effect to depreciation charge for the year amounting to P1.2 million and additional acquisitions of transportation and office equipment of MCLSI amounting to P4.4 million. Transportation equipment included under office furniture, fixtures and equipment with a carrying value of nil and P79,310 as of December 31, 2014 and 2013, respectively, is mortgaged as collateral for long-term debt.

The Group has no outstanding contractual commitments to acquire certain property and equipment as of December 31, 2014 and 2013. In 2014 and 2013, the Group carried out a review of the recoverable amounts of its property and equipment. The Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

Other non-current assets comprised of deferred tax assets amounting to P4.8 million and P4.6 million for the years ended December 31, 2014 and 2013, respectively; and intangible assets amounting to P750,000 and nil for the year ended December 31, 2014 and 2013, respectively. This intangible asset pertains to non-exclusive software license cost for use in MCSLI's warehouse management system.

Liabilities

Current Liabilities

Accounts payable and accrued expenses for the years 2014 and 2013 amounted to P418.9 million and P403.6 million, respectively. Trade payables are noninterest bearing and have credit terms of 30 to 60 days. Accrued expense and other liabilities mainly include accruals for manufacturing and operating expenses, other taxes payable, advances from customers and provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered.

The increase for year 2014 by P15.3 million or 4% is mainly due to (a) MAHEC recognition of finance costs on its loan for the petrochemical project (which were passed on to Polymax) and accrual of its fixed expenses such as legal and audit fee and administrative expenses; (b) MCLSI trade payables arising from its trucking and warehousing operations.

Due to related parties for the years 2014 and 2013 amounted to P416.7 million and P574.9 million, respectively. The Group, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayment period. The Group did not provide nor received any guarantee on its transaction with related parties. The decrease of P158.2 million in 2014 pertains to Metro Alliance settlement of advances to third party creditors, fund of which come from collections from Polymax. Polymax has sold another 20% interest in 2014 for total proceeds of P347.7 million. Significant portion of these advances were used to by Polymax to finance its planned acquisition of petrochemical plant in prior years.

Loans payable (current and long term) amounted to nil in 2014 and P179,415 in 2013. Long-term debt represents loans obtained by MCLSI which is fully settled in 2014.

The account pertains to MCLSI's two loan agreements entered last July 21, 2009 for a total principal amount of P988,800 covering the acquisition of transportation equipment. The loan is payable monthly with interest at 19% per annum up to July 30, 2014 for the (first contract) and August 22, 2014 (for the second contract).

Total interest expense on the loans amounted to P32,640 in 2014 and P48,960 in 2013.

Accrued retirement benefit cost amounted to P5.6 million as of December 31, 2014 and 2013. MAHEC and MCLSI has unfunded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date. There is no provision for retirement benefit for 2014 as the management determined that current accrual is sufficient enough to cover retirement benefits of remaining employees. The Group expects no contributions are to be made yet in the future years out of the defined benefit plan obligation.

CHANGES IN OPERATING RESULTS

2013 COMPARED TO 2012

Net Income and Earnings (Loss) Per Share

The Group registered a consolidated net loss of P3.9 million in 2013 as against net income of P1.5 million in 2012 or a decrease of P5.4 million or 369%. Earnings (loss) per share for 2013 and 2012 are (P0.013) and P0.005, respectively. The decrease is net effect of the other income resulting from gain on sale of financial instrument, disposal of asset and dividends received during 2012, increase in delivery cost of products and services and additional logistics service provided with lower gross profit rates lower than the existing principals in 2013. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group. The Group was able to sell its financial assets at price higher than its book value resulting to gain on sale of these assets.

Sales and Services

The Group registered gross service revenue of P123.5 million and P98 million for the years ended December 31, 2013 and 2012. The increase in revenue of P25.5 million or 26% in 2013 is due to additional businesses from MCLSI's existing principal resulting to new service contracts on its logistics and warehousing operations.

Cost of Sales and Services And Operating Expenses

Total cost and operating expenses for the years 2013 and 2012 amounted to P126.9 million and P97.2 million, respectively. The increase of P29.7 million or 31% is net effect of increase in delivery cost of products and services in 2013 (P30 million), fixed expenses of non-operating subsidiaries such as decrease in professional fees (P0.3 million), decrease in business taxes and licenses (P0.5

million), decrease in salaries and wages and employee benefits (P5 million), increase in amortization and depreciation (P1.4 million) and increase in other operating expenses (P4.1 million).

Other income

Other income (charges) for the years 2013 and 2012 amounted to P0.2 million and P2.3 million, respectively or a decrease of P2.1 million or 1050%. The decrease represents gain realized from the sale of financial instruments, disposal of assets and dividends received during 2012.

CHANGES IN FINANCIAL CONDITION

2013 COMPARED TO 2012

As discussed in Note 3 to the Consolidated Financial Statements, the following companies are included in Metro Alliance consolidated financial statement: MCLSI, CPDSI, FEZ-EAC, ZDI and AHI. A subsidiary is an entity in which the Company has control. Subsidiaries are consolidated from the date on which control is transferred out of the Company.

Mabuhay Vinyl Corporation (MVC) was 42.69% owned by MAHEC as of December 31, 2006. In 2007, the Company sold its 37.69% interest in MVC, retaining 5% which was reclassified to AFS investments and ceased to be a subsidiary as of December 31, 2007.

Polymax is the Group's special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPCA which resulted in a 2006 disputed sale of Polymax's 60% interest in NPCA to NPC International Limited (NPCI) and Petrochemical Industries Investment Company (PIIC). Subsequently on August 27, 2013 the Company and Polymax entered into a settlement agreement with NPCI, PII and NPC to resolve the dispute. On the basis of the settlement agreement, the previously issued 2006 consolidated financial statements of the Company and its subsidiaries were restated to reflect the sale of Polymax's 60% interest in the petrochemical plant.

The remaining 40% of Polymax's interest which is valued at P900 million, which is estimated recoverable amount from the sale of investment. The realization of the Company's advances to Polymax (an unconsolidated special purpose entity in 2007) and the settlement Polymax's past due liabilities for which the Company is jointly and severally liable, depends on whether sufficient cash flows can be generated from Polymax's 40% interest in NPCA, which is for sale, and from a letter of comfort issued by the Wellex Group of Companies in favor of the Company. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Assets

Cash and cash equivalents for the years 2013 and 2012 amounted to P14.4 million and P8.1 million, respectively. The increase by P6.3 million or 78% in 2013 is net effect of increase in revenue from MCLSI operations (P25 million), payment of advances to related parties (P22 million), advances to Polymax for its working capital requirements (P6 million) sale of available-for-sale financial asset and increase in other cost and operating expenses.

Receivables amounted to P75.9 million in 2013 and P73.6 million in 2012 (net of allowance for doubtful accounts of P10.3 million and P8.6 million as of December 31, 2013 and 2012). Trade and other receivables went up by P2.2 million due to the net effect of increase in credit sales from MCLSI operations (P3.9 million), decrease in other receivables (P0.1 million) and additional provision for doubtful accounts of P1.7 million in 2013. Other receivables represent non-interest bearing receivables from third party business partners of Polymax that are subject to liquidation and advances to related parties. The Group reviews the carrying amount of receivables at each balance sheet date to reduce the balance to their estimated recoverable amounts.

Prepaid expenses and other current assets amounts to P21.1 million in 2013 and P18.9 million in 2012 (net of allowance for probable losses of P14 million for both years 2013 and 2012). In 2013, the increase by P3.9 million is net effect of increase in creditable withholding taxes (P0.9 million), increase in input taxes (P0.1 million), decrease in refundable deposits (P0.1 million) and increase in

other prepayments (P1.2 million). The Group reviews the carrying amount at each balance sheet to reduce the balance to their estimated recoverable amounts.

Asset held for sale amounting to P960.3 million and P954.7 million as of December 31, 2013 and 2012 (which constitute 89% respectively of the Group's total assets as of December 31, 2013 and 2012, respectively) represents advances to Polymax, the Group's special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPC Alliance Corporation (NPCA). The increase of P5.6 million in 2013 pertains to additional advances in relation to the expenses of Polymax for its pending litigation and outstanding loan from outside parties and past due liabilities.

On March 18, 2006 and September 20, 2006, 40% and 20%, respectively, of Polymax's interest in NPCA was sold. Thereafter management decided to discontinue operations and cease operating as a going concern. The remaining 40% interest which is for sale is valued at P900 million, which is the estimated recoverable amount from the sale of investment. The realization of the Company's advances to Polymax and the settlement of Polymax's past due liabilities for which the Company is jointly and severally liable, depends on whether sufficient cash flows can be generated from polymax's 40% interest in NPCA, which is for sale, and from a letter of comfort issued by the major stockholders of the Company in favor of the Company.

Available-for-sale-investments amounted to P6.1 million in 2013 and P7.2 million in 2012. This account includes shares of stocks owned in publicly listed companies. The P1 million decrease in 2013 pertains to decline in the value of shares of stock in the market. The fair value of these shares has been determined directly by reference to published prices in the active market. Accumulated AFS reserve amounted to P2 million and P3 million as of December 31, 2013 and 2012.

Property, plant and equipment amounted to P1.9 million in 2013 and P2 million in 2012. Net reduction of property, plant and equipment in 2013 by P177,316 million pertains to depreciation charge for the year of P1,088,965 and additional acquisitions of transportation and office equipment of MCLSI amounting to P911,649. Transportation equipment of MCLSI with a carrying value of P79,310 and P173,040 as of December 31, 2013 and 2012, respectively, has been pledge to fulfill collateral requirements of the loan.

The Group has no outstanding contractual commitments to acquire certain property and equipment as of December 31, 2013 and 2012. In 2013 and 2012, the Group carried out a review of the recoverable amounts of its property and equipment. The Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

Other non-current assets comprised of deferred tax assets amounting to P4.6 million and P6 million for the years 2013 and 2012; and intangible assets amounting to nil and P1.1 million, respectively. Other non-current assets pertain mainly to MCLSI's security and rental deposits on various leased properties. These lease contracts expire in 2013, thus the amount were collected.

Liabilities

Current Liabilities

Accounts payable and accrued expenses for the years 2013 and 2012 amounted to P403.6 million and P389.9 million, respectively. Trade payables are noninterest bearing and have credit terms of 30 to 60 days. Accrued expense and other liabilities mainly include accruals for manufacturing and operating expenses, other taxes payable, advances from customers and provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered.

The increase for year 2013 by P37 million or 10% is mainly due to (a) MAHEC recognition of finance costs on its loan for the petrochemical project (which were passed on to Polymax) and accrual of its fixed expenses such as legal and audit fee and administrative expenses; (b) MCLSI trade payables arising from its trucking and warehousing operations.

Due to related parties for the years 2013 and 2012 amounted to P574.9 million and P574.1 million, respectively. The Group, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayment period. The Group did not provide nor received any guarantee on its transaction with related parties. The decrease of P22 million in 2013 pertains to Metro Alliance settlement of advances, fund of which come from disposal of its financial and fixed assets. Significant portion of these advances were used to finance its planned acquisition of petrochemical plant in prior years.

Loans payable (current and long term) amounted to P179,415 in 2013 and P367,604 in 2012. The account pertains to MCLSI's two loan agreements entered last July 21, 2009 for a total principal amount of P988,800 covering the acquisition of transportation equipment. The loan is payable monthly with interest at 19% per annum up to July 30, 2014 for the (first contract) and August 22, 2014 (for the second contract).

The two loans are collateralized by transportation equipment with carrying value of P79,310 and P173,040 as of December 31, 2013 and 2012, respectively.

Accrued retirement benefit cost amounted to P5.6 million in 2013 and P6.2 million in 2012. MAHEC and MCLSI has unfunded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date. The decrease of P0.6 million or 10% is due to lower provision for retirement benefit for 2013. The Group expects no contributions are to be made yet in the future years out of the defined benefit plan obligation.

Summary of Material Trends, Events and Uncertainties

Legal cases

Metro Alliance

Case Title	: Metro Alliance vs Commissioner of Internal Revenue
Factual basis	: Assessment for deficiency withholding taxes for the year 1989, 1990 and 1991
Status	: On July 5, 2002, the Parent Company received a decision from the Court of Tax Appeals (CTA) denying the Parent Company's Petition for Review and ordering the payment of ₱83.8 million for withholding tax assessments for the taxable years 1989 to 1991. The Parent Company filed a Motion for Reconsideration on July 31, 2002 but this was subsequently denied by the CTA. A Petition for Review was filed with the CTA on November 8, 2002, which was also denied by the CTA. The Parent Company then appealed the decision of the CTA to the Court of Appeals (CA), which likewise denied the appeal and upheld the assessment against the Parent Company. The Parent Company, through its legal counsel, filed a Motion for Reconsideration with the CA in December 2003.

On July 9, 2004, the Parent Company received the CA resolution denying the Motion for Reconsideration. On July 22, 2004, the Parent Company filed with the CA a Motion for Extension of time to file an appeal to the Supreme Court (SC). On August 20, 2004, the Parent Company filed said appeal. On October 20, 2004, the Parent Company received the resolution of the SC denying its Petition for Review for lack of reversible error. The Parent Company filed a Motion for Reconsideration. On January 10, 2005, the SC issued an Order stating that it found no ground to sustain the Parent Company's appeal and dismissed the Parent Company's petition with finality.

On April 26, 2006, the Parent Company filed a Petition for Review before the CTA en banc. On March 7, 2007, the CTA en banc dismissed the Petition for lack of merit. The CTA en banc affirmed the CTA's decision granting the Motion for Issuance of Writ of Execution filed by the Commissioner of Internal Revenue. As of October 10, 2014, the Parent Company has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable. Management believes, however, that the ultimate outcome of the case will not have a material effect on the consolidated financial statements.

Case Title : **Metro Alliance and Philippine Estate Corporation vs Philippine Trust Company, et al**

Factual basis : Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sales, plus Damages Regional Trial Court, Fourth Judicial Region

Name of Court : Branch 18, Tagaytay City

Status : On September 14, 2005, Metro Alliance and Philippine Estate Corporation filed a Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sales, plus Damages with prayer for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction. Damages sought are P1,000,000 as and by way or exemplary damages and P500,000 as and by way of attorney's fees; litigation expenses and cost of suit. The case is now pending with the Regional Trial Court of Tagaytay City, Branch 18 O SCA No. TG-05-2519.

The case stemmed from the imminent extra-judicial foreclosure of properties covered by Transfer Certificate of Title Nos. T-35522, T-35524 and T-35552 subject to the real Estate Mortgage executed by Metro Alliance and Philippine Estate Corporation on the amount of P42,000,000 which amount was never received.

On October 6, 2005, the Regional Trial Court (RTC) of Tagaytay City issued and granted the Writ of Preliminary Injunction. Management believes that the same will be made permanent by the RTC.

Relief Sought : Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction and damages sought are P1,000,000 and other charges of P500,000.

Case Title : **Metro Alliance vs The Philippine Stock Exchange ("PSE")**

Factual basis : The Company has an outstanding obligation to the PSE in the amount of ₱3,400,000 as of June 16, 2015 for the repeated violations of the rules and regulations of the PSE starting May 2007 until December 2014.

The case was related to the same violation the Company has with the SEC where it also required submitting structured reports such as Annual and Quarterly Report from 2007 until 2014. (Please refer to preceding paragraph for the discussion of the Company's inability to file such reports). The PSE suspend the trading of the Company last May 2007.

Relief Sought : The Company has made provisions on its financial statement sufficient enough to cover such liability. The Company was able to filed already all the required reports and has paid the outstanding obligations. It also formally filed its petition for the lifting of trading suspension. As of this report, the petition is pending approval by the Exchange.

Events that will Trigger Direct Contingent or Financial Obligation

Having resolved its disputes with foreign parties involved in the Bataan petrochemical project there are no additional known events that will trigger direct or contingent financial obligation that is material to Metro Alliance, including the default of acceleration of an obligation.

Material Off-balance Sheet Transactions, Arrangements, Obligations

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of Metro Alliance with unconsolidated entities or other persons created during the reporting period. Completed transactions in connection with our investment in the petrochemical project were fully disclosed in the audited consolidated financial statements.

Commitment For Capital Expenditures

Since CPDSI has ceased operations and MVC ceased to be a subsidiary of MAHEC, the Group has no commitment for capital expenditures.

Any Known Trends, Events of Uncertainties (Impact On Net Sales / Net Income)

Since CPDSI, AHI, FEZ-EAC and ZDI have ceased commercial operations and MCLSI is the only operating subsidiary among the Group, sales will rely solely on MCLSI's results of operations.

Significant Element of Income or Loss That Did Not Arise From Continuing Operations.

There is no significant element of income or loss that did not arise from continuing operations.

Material Changes on Line Items in the Financial Statements

Material changes on line items in the financial statements are presented under the captions "Changes in Financial Condition" and "Changes in Operating Results" above.

Effect of Seasonal Changes in the Financial Condition or Results of Operations of the Corporation

The financial condition or results of operations is not affected by any seasonal change.

Undertaking

A copy of the Annual Report for the year ended December 31, 2014 or SEC Form 17-A will be made available during the Annual Stockholders' Meeting.

Interim Report for the 2nd Quarter of 2015

- a) The following table shows the consolidated financial highlights of the Group for the quarters ended June 30, 2015 and 2014 and December 31, 2014:

☐ Unaudited Income Statement

Income Statement	Amounts in Php			
	Apr. – Jun. 2015	Apr. – Jun. 2014	Jan. – Jun. 2015	Jan – Jun. 2014
Sales and services	35,089,405	26,937,963	63,074,907	53,875,926
Cost of sales and services	(17,830,616)	(9,057,372)	(24,865,756)	(18,114,744)
Gross profit	17,258,789	17,880,591	38,209,151	35,761,182
Expenses	(17,554,516)	(18,265,284)	(36,197,221)	(36,530,568)
Other income (charges)	5,267	(340,452)	5,492	(680,902)
Net Income (Loss) before tax	(290,460)	(725,145)	2,017,422	(1,450,290)
Income tax expense – current	1,011,105	–	2,167,879	–
Net Income (Loss) after tax	(1,301,565)	(725,145)	(150,457)	(1,450,290)
Net income (loss) attributable to:				
Equity holders of the parent company	(2,441,515)	(904,263)	(2,612,623)	(1,821,534)
Minority interests	1,139,950	179,118	2,462,166	371,244
	(1,301,565)	(725,145)	(150,457)	(1,450,290)
Earnings (Loss) Per Share attributable to the equity holders of the Parent Company	(P 0.0080)	(P 0.0030)	(P 0.0085)	(P 0.0060)

☐ Unaudited Balance Sheet

Balance Sheet	Amounts in Php		
	Jun. 30, 2015	Jun. 30, 2014	Dec. 31, 2014
Current assets	922,669,866	1,075,135,347	911,894,489
Noncurrent assets	18,813,453	12,158,132	17,134,908
Total Assets	941,483,319	1,087,293,479	929,029,397
Current liabilities	848,720,456	980,818,481	835,633,769
Noncurrent liabilities	5,571,836	5,727,778	5,571,836
Total Liabilities	854,292,292	986,546,259	841,205,605
Stockholder's Equity	87,191,027	100,747,220	87,823,792
Total Liabilities and Stockholder's Equity	941,483,319	1,087,293,479	929,029,397

The following companies are included in Metro Alliance consolidated financial statement: MCLSI, CPDSI, FEZ-EAC, ZDI and AHI. The Group's last audited consolidated financial statements was for the year ended December 31, 2006. Due to uncertainties surrounding the acquisition transactions of the Bataan petrochemical plant, the scope of the 2007-2013 audits was completed by the independent auditors and the reports was approved by the Board of Directors on October 10, 2014.

The Group, having resolved its disputes with the foreign parties involved in the Bataan petrochemical project, will commence to explore business opportunities. As of report date, biggest contributor to the Group's revenue is its logistic arm, MCLSI when it steadily growing for the past several years after. The Group will reorganize its operations; evaluate its remaining assets; review all pending legal cases; and settle and resolve its outstanding issues with other regulatory government bodies. The Group assures the public that it will focus on traditionally stable industries or sunrise sectors in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

b) Key Performance Indicators

Metro Alliance and its majority-owned subsidiaries key performance indicators follow:

Metro Alliance

Metro Alliance's key performance indicators include the following:

1. Net income
2. Earnings per share – net income attributable to each share of common stock
(net income / weighted number of shares outstanding)
3. Return on average equity – ability to generate returns on investment of stockholders.
(net income / average equity)
4. Debt to total asset ratio – the proportion to total assets financed by creditors.
(total debt / total assets)
5. Debt to Equity ratio – an indicator of which group has the greater representation in the assets of the company
(total debt / equity)

The financial ratios of Metro Alliance are not stable due to its significant investment on the Petrochemical Project.

Metro Alliance (parent company) financial statements registered unaudited net loss of (₱3,464,159) for the second quarter of 2015 as compared to the same quarter of 2014 with net loss amounting to (₱710,957) million or an increase of ₱2,753,202 or 387% due to the payment of fines and penalties to Philippine Stock Exchange for the late submission of reports as of the 2nd quarter of 2015 amounting to ₱3.4 million. The Company is currently processing its petition for lifting of trading suspension. The Company's trading was suspended last May 17, 2007 due to the company's failure to submit its structured reports (annual and quarterly reports) since 2007. The Company's inability to file such reports was due to the legal issues involving the acquisition of the petrochemical plant and the surrounding circumstances. As of this report, decision for such petition is still pending.

The increase in net loss in 2015 resulted to the increase in loss per share and loss on average equity.

Comparative analysis of Metro Alliance's key performance indicators follows:

Performance indicator	June 30 2015	Dec 31 2014	June 30 2014
Net income (loss) – (In Php)	(3,464,159)	(13,833,115)	(710,957)
Income (loss) per share (In Php)	(0.011)	(0.045)	(0.002)
Income (loss) on average equity (In Php)	(0.011)	(0.045)	(0.002)
Debt to total assets	0.727	0.725	0.759
Debt to equity	2.658	2.634	3.157

MCLSI Logistics, Inc.

MCLSI's key performance indicators include the following:

3. Profitability
 - a. Gross profit margin – measures the profitability of revenues (services) in relation to the cost of services
(gross profit / revenues)
 - b. Net profit margin – ability to generate surplus for stockholders.
(net income / sales)
 - c. Return on assets – ability to generate returns from assets.
(net income / assets)
 - d. Return on equity – ability to generate returns on investment of stockholders.
(net income / stockholders equity)
4. Liquidity ratios
 - a. Current ratio – capacity to meet current obligations out of its liquid assets
(current assets / current liabilities)
 - b. Receivables turnover and days' sales in receivables – measures the ability to collect receivables
(net credit sales / average trade receivables)
(365 days / receivables turnover)

The decrease in MCLSI's gross profit resulted mainly from the termination of some contracts. With the decrease in operating income, net profit margin, return on assets and return on equity decreased. Current ratio decreased due to the increase in accruals and other payables. In addition, turnover of receivables resulted to a slower collections compared to last year.

Comparative analysis of MCLSI's key performance indicators follows:

Performance indicator	June 30 2015	Dec 31 2014	June 30 2014
<u>Profitability</u>			
a. Gross profit margin	0.606	0.200	0.664
b. Net profit margin	0.080	(0.051)	0.007
c. Return on assets	0.053	(0.079)	0.002
d. Return in equity	0.164	(0.249)	0.009
<u>Liquidity</u>			
a. Current ratio	1.387	1.390	1.313
b. Receivables turnover	1.581	1.653	0.944
c. Days' sales in receivables	231	221	387

Consumer Products Distribution Services, Inc. (CPDSI), FEZ-EAC Holdings, Inc.(FEZ-EAC), Zuellig Distributors, Inc. (ZDI) and Asia Healthcare, Inc. (AHI)

Currently, CPDSI, FEZ-EAC, ZDI and AHI have no performance indicators because these are non-operating companies.

b) Changes in Operating Results

Net Income and Earnings (Loss) Per Share

The Group registered a consolidated net loss of ₱1.3 million for the 2nd quarter of 2015 as against net loss of ₱0.7 million for the 2nd quarter of 2014 or an increase in net loss of ₱0.6 million or 46%. Earnings (loss) per share are (₱0.0080) for the 2nd quarter of 2015 and (₱0.0030) for the 2nd quarter of 2014. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group. The increase in net loss is due to net effect of (a) increase in service income from MCLSI's lease and logistics contracts; (b) decrease in operating expenses which mainly attributable to decrease in general and administrative expenses and depreciation expense. Parent Company paid its outstanding liabilities as of the 2nd quarter of 2015 with the PSE amounting to ₱3.4 million as fines and penalties for the late submission of reports from 2007 to 2014.

Sales and Services

The Group registered gross service revenue of ₱35.1 million and ₱26.9 million for the quarters ended June 30, 2015 and 2014. The increase in revenue of ₱8.2 million or 23% for the 2nd quarter of 2015 is due to entry of new principals on MCLSI's lease contracts and increase in its logistics services.

Cost of Sales and Services

Total cost of sales and services for the quarters ended June 30, 2015 and 2014 amounted to ₱17.8 million and ₱9.1 million, respectively. The increase of ₱8.7 million or 49% is parallel to increase in sales and services of MCLSI for the 2nd quarter of 2015. Ratio of cost of sales to sales as of June 30, 2015 and 2014 are 51% and 34% respectively. Increase on the cost of sales for the 2nd quarter of 2015 compared to 2014 was also attributable to higher cost of delivery of products and services such as fluctuations in oil prices used by delivery trucks and electricity rates, security services and maintenance cost of warehouse facilities.

Operating Expenses

Total operating expenses of the Group for the 2nd quarter of 2015 amounted to ₱17.5 million as compared to ₱18.3 million for the 2nd quarter of 2014 or a decrease of ₱0.8 million or 4%. The decrease is net effect of increase in personnel cost (₱1.3 million), professional fees (₱0.1 million), decrease in depreciation expense (₱0.4 million) since some of the fixed assets already reached their useful life last year, decrease in general and administrative expenses (₱0.3 million), decrease in rent and utilities (₱0.1 million), increase in taxes and licenses (₱0.2 million) and decrease in other expenses (₱1.3 million).

Other income (expenses)

Other income (charges) for the quarters ended June 30, 2015 and 2014 amounted to (₱5,267) and (₱340,452), respectively or an increase in other charges of ₱335,185 or 98%. The account pertains to net balance from finance cost, interest income, unrealized foreign exchange gain (loss) and dividend income. Other charges for the 2nd quarter of 2014 pertain to unrealized foreign exchange loss on MCLSI's foreign currency denominated transactions.

c) Changes in Financial Conditions

Assets

Cash and cash equivalents for the 2nd quarter of 2015 and 2014 and as of December 31, 2014 amounted to ₱20.2 million, ₱20.6 million and ₱22.1 million, respectively. The decrease by ₱1.9 million or 9% as of 2nd quarter of 2015 is net effect of cash used in operating activities (₱20.9 million), net cash used in investing activities (₱2.4 million) and net cash provided by financing activities (₱21.4). (See also Statement of Cash Flows on page 19 for the detailed composition of each activity).

Receivables amounted to ₱82.6 million as of 2nd quarter of 2015, ₱80.3 million as of December 31, 2014 and ₱68.2 million as of 2nd quarter of 2014 (net of allowance for doubtful accounts of ₱149 million for all periods). Notes and other receivables were fully covered by allowance for doubtful accounts stated above. This pertains to receivables of CPDSI (subsidiary which already ceased its operations) from its old clients which cannot be located anymore.

Trade and other receivables went up by ₱16 million or 58% in 2nd quarter of 2015 as compared to 2nd quarter of 2014 due to increase in sales and services from MCLSI lease and logistic contracts. No additional allowance for doubtful account for the 2nd quarter of 2015 as management believes that these receivables are fully realizable. The increase of ₱2.3 million or 3% in 2nd quarter of 2015 as against December 31, 2014 is due to net effect of decrease in trade receivables (₱1.5 million) and increase in other receivables (₱0.7 million). Other receivables represent non-interest bearing receivables from third party business partners of Polymax that are subject to liquidation and advances to related parties. The Group reviews the carrying amount of receivables at each balance sheet date to reduce the balance to their estimated recoverable amounts.

Prepaid expenses and other current assets amounts to ₱31.2 million, ₱20.8 million and ₱25.8 million as of the June 30, 2015, December 31, 2014 and June 30, 2014, respectively (net of allowance for probable losses of ₱14 million for all periods). The increase by ₱5.4 million or 21% in 2nd quarter of 2015 as against same quarter of 2014 is net effect of increase in creditable withholding taxes (₱8.9 million), decrease in input taxes (₱1 million), decrease in refundable deposits (₱.7 million) and decrease in other prepayments (₱3.3 million).

The increase of ₱10.4 or 50% million in 2nd quarter of 2015 as against December 31, 2014 is due to net effect of increase in creditable withholding taxes (₱9.9 million) and increase in input tax (₱0.5 million). The Group reviews the carrying amount at each balance sheet to reduce the balance to their estimated recoverable amounts.

Asset held for sale amounting to ₱788.7 million, ₱788.7 million and ₱960.4 million as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively, (which constitute 83% and 89% respectively of the Group's total assets as said periods) represents advances to Polymax, the Group's special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPC Alliance Corporation (NPCA). The decrease of ₱171.7 million in 2nd quarter of 2015 as against 2nd quarter of 2014, pertains to collections from Polymax which was directly paid to the creditor of MAHEC.

On March 18, 2006 and September 20, 2006, 40% and 20%, respectively, of Polymax's interest in NPCA was sold. Thereafter management decided to discontinue operations and cease operating as a going concern. The remaining 40% interest which is for sale is valued at ₱900 million, which is the estimated recoverable amount from the sale of investment.

The realization of the Company's advances to Polymax and the settlement of Polymax's past due liabilities for which the Company is jointly and severally liable, depends on whether sufficient cash flows can be generated from Polymax's 40% interest in NPCA.

In this regard and to ensure the recoverability of the Parent Company's advances to Polymax and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, the Parent Company's major stockholders issued a letter of comfort in favor of the Parent Company on September 30, 2014.

During 2014, 20% of the 40% remaining interest of Polymax in NPCA was sold. To reiterate assurance of the collectability of the Parent Company's advances to Polymax, a comfort letter dated April 10, 2015 was issued by the major stockholders of the Parent Company.

Available-for-sale-investments amounted to ₱6.5 million, ₱6.5 million and ₱5.4 million in June 30, 2015, December 31, 2014 and June 30, 2014. This account includes shares of stocks owned in publicly listed companies. The ₱1.1 million increased in 2nd quarter as compared to same quarter of 2014 pertains to decline in the value of shares of stock in the market. The fair value of these shares has been determined directly by reference to published prices in the active market.

Property, plant and equipment amounted to ₱5.4 million, ₱3.1 million and ₱2.1 million in June 30, 2015, December 31, 2014 and June 30, 2014, respectively. Net increase in property, plant and equipment in 2nd quarter of 2015 as against same quarter of 2014 by ₱3.3 million pertains depreciation charge for the quarter of ₱0.6 million due to property and equipment that was fully

depreciated in 2014 and increase in additional acquisitions of transportation and office equipment of MCLSI amounting to ₱3.9 million.

The increase in 2nd quarter of 2015 as against December 31, 2014 by ₱0.4 million is due net effect of depreciation charges for the 2nd quarter of 2015 of ₱0.3 million and acquisition of transportation equipment amounting to ₱0.7 million.

The Group has no outstanding contractual commitments to acquire certain property and equipment as of June 30, 2015 and December 31, 2014. In 2015 and 2014, the Group carried out a review of the recoverable amounts of its property and equipment. The Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

Other non-current assets as of June 30, 2015 was comprised of deferred tax assets amounting to ₱4.7 million, rental deposits amounting to ₱1.6 million and intangible assets amounting to ₱0.6 million (net of allowance for amortization of ₱0.1 million). Other non-current assets for the quarter ended June 30, 2014 pertains only to deferred tax assets amounting to ₱4.6 million. Other non-current assets for the year ended December 31, 2014 was comprised of deferred tax assets amounting to ₱4.8 million and intangible asset amounting to ₱0.8 million which pertains to computer software for MCLSI warehouse management system.

Liabilities

Current Liabilities

Accounts payable and accrued expenses for the quarter ended June 30, 2015, December 31, 2014 and June 30, 2014 amounted to ₱410.5 million, ₱418.9 million and ₱430.3 million, respectively. Trade payables are noninterest bearing and have credit terms of 30 to 60 days. Accrued expense and other liabilities mainly include accruals for manufacturing and operating expenses, other taxes payable, advances from customers and provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered.

The decrease for the 2nd quarter of 2015 against same quarter of 2014 by ₱19.8 million or 5% is mainly due to (a) MAHEC recognition of finance costs on its loan for the petrochemical project (which were passed on to Polymax) and accrual of its fixed expenses such as legal and audit fee and administrative expenses; (b) MCLSI trade payables arising from its trucking and warehousing operations.

Due to related parties as of June 30, 2015, December 31, 2014 and June 30, 2014 amounted to ₱438.2 million, ₱416.7 million and ₱552.5 million, respectively. The Group, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayment period. The Group did not provide nor received any guarantee on its transaction with related parties. The decrease of ₱114.3 million in 2nd quarter of 2015 as against the 2nd quarter of 2014 and increase of ₱21.5 million as against the end of 2014 pertains to Metro Alliance settlement of advances and offsetting of receivables and payables among the Group. Significant portion of these advances were used to finance its planned acquisition of petrochemical plant in prior years. Polymax sold another 20% interest in the petrochemical plant in 2014, proceeds from it were paid directly to creditors of Metro Alliance to pay off long outstanding liabilities.

Loans payable (current and long term) amounted to nil million as of June 30, 2015 and December 31, 2014 and ₱0.1 million for the period ended June 30, 2014, respectively. The account balance for 2nd quarter of 2014 pertains to MCLSI's loan agreements entered last July 21, 2009 for a total principal amount of ₱988,800 covering the acquisition of transportation equipment. The loan is payable monthly with interest at 19% per annum up to July 30, 2014 for the (first contract) and August 22, 2014 (for the second contract).

Two loan contracts were entered again by MCLSI last September 18, 2014 for the acquisition of machinery and transportation equipment. The loan is payable monthly with interest at 19% per annum up to September 30, 2019. The loans are collateralized by transportation equipment with carrying value of ₱75,335 and ₱158,655 as of June 30, 2015 and 2014.

Accrued retirement benefit cost amounted to ₱5.6 and ₱5.5 million as of June 30, 2015 and 2014. MAHEC and MCLSI has unfunded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date. The increase of ₱0.1 million or 2% pertains to additional provision made on the 2nd quarter of 2015. The Group expects no contributions are to be made yet in the future years out of the defined benefit plan obligation. There are no provisions made as of the second quarter of 2015 as management believes that current provisions are enough to cover possible retirement expense for the year.

Summary of Material Trends, Events and Uncertainties

Except for the material trends, events and uncertainties described above, there are no material trends, events and uncertainties occurred subsequently.

Events that will Trigger Direct Contingent or Financial Obligation

Having resolved its disputes with foreign parties involved in the Bataan petrochemical project there are no additional known events that will trigger direct or contingent financial obligation that is material to Metro Alliance, including the default of acceleration of an obligation during the reporting period.

Material Off-balance Sheet Transactions, Arrangements, Obligations

There are no off-balance sheet transactions, arrangements, obligations, and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period.

Commitment For Capital Expenditures

Since CPDSI has ceased operations and MVC ceased to be a subsidiary of MAHEC, the Group has no commitment for capital expenditures.

Any Known Trends, Events of Uncertainties (Impact On Net Sales / Net Income)

Since CPDSI, AHI, FEZ-EAC and ZDI have ceased commercial operations and MCLSI is the only operating subsidiary among the Group, sales will rely solely on MCLSI's results of operations.

Significant Element of Income or Loss That Did Not Arise From Continuing Operations.

There is no significant element of income or loss that did not arise from continuing operations.

Material Changes on Line Items in the Financial Statements

Material changes on line items in the financial statements are presented under the captions "Changes in Financial Condition" and "Changes in Operating Results" above.

Effect of Seasonal Changes in the Financial Condition or Results of Operations of the Corporation

The financial condition or results of operations is not affected by any seasonal change.

Undertaking

A copy of the Second Quarter Report for the period ended June 30, 2015 or SEC Form 17-Q will be made available during the Annual Stockholders' Meeting

Information on Independent Accountant and other Related Matters

(1) External Audit Fees and Services

- (a) Audit and related fees for Metro Alliance is ₱320,000 in 2014 and ₱300,000 in 2013 for expressing an opinion on the fairness of presentation of financial statements.
- (b) Tax fees - there is no tax fees paid to external auditors for the years 2014 and 2013.
- (c) Other fees – there is no other fees paid for the years 2014 and 2013.

(d) Audit committee's approval policies and procedures for the above services – the committee will evaluate the proposals from known external audit firms. The review will focus on quality of service, commitment to deadline and fees as a whole, and no one factor should necessarily be determinable.

(2) Changes in and disagreements with Accountants on Accounting and Financial Disclosure

No independent accountant who was previously engaged as the principal accountant to audit Metro Alliance financial statements, or an independent accountant on whom the principal accountant expressed reliance in its report regarding a significant subsidiary, has resigned (or indicated it has declined to stand for re-election after the completion of the current audit) or was dismissed in the two most recent fiscal years or any subsequent interim period. Furthermore, there was no disagreement with the former accountant on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure.

DIRECTORS AND EXECUTIVE OFFICERS

Please refer to Item 5, Directors and Executive Officers, of the SEC Form 20-IS.

MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER

Market Information

The principal market of Metro Alliance Holdings & Equities Corp.'s common equity is the Philippine Stock Exchange (PSE) where it was listed 1947. The high and low sales prices by quarter for the last two (2) years, including the first two quarters of 2015 are as follows:

		Class A		Class B	
		High	Low	High	Low
2015	First Quarter	-	-	-	-
	Second Quarter	-	-	-	-
2014	First Quarter	-	-	-	-
	Second Quarter	-	-	-	-
	Third Quarter	-	-	-	-
	Fourth Quarter	-	-	-	-
2013	First Quarter	-	-	-	-
	Second Quarter	-	-	-	-
	Third Quarter	-	-	-	-
	Fourth Quarter	-	-	-	-

As observed, there are no high and sales prices for the last three years since the Philippine Stock Exchange suspended the trading of the Company for non-compliance with the submission of structured reports such as annual and quarterly report since 2007. (Please refer to 'Summary of Material Trends, Events and Uncertainties').

The high, low and close market price of Class "A" and Class "B" were P0.70 and P0.84 as of May 17, 2007, the last practicable trading date before the PSE suspended the Company's trading last 2007.

Holders

a) There are 306,122,449 shares outstanding: 183,673,470 shares are Class “A” and 122,448,979 shares are Class “B”. As of June 30, 2015, there are 632 holders of Class “A” shares and 403 holders of Class “B” shares.

Metro Alliance’s Top 20 Stockholders as of June 30, 2015 are as follows:

	Stockholder's Name	Number of Shares		Percentage to Total
		Class A	Class B	
1	Creston Global Limited		56,378,388	18.42
2	PCD Nominee Corporation (Filipino)	16,190,768	26,797,455	14.04
3	Chesa Holdings, Inc.	40,500,000		13.23
4	Pacific Wide Realty & Development Corp.	31,498,000		10.29
5	Forum Holdings Corporation	16,376,856	13,432,644	9.11
6	Misons Industrial and Development Corp.	22,000,000		7.19
7	Pacific Concorde Corporation	6,329,500	9,503,908	5.17
8	Rexlon Realty Group, Inc.	12,200,000	2,673,112	4.86
9	Chartered Commodities Corp.	11,296,000		3.69
10	Mizpah Holdings, Inc.	10,128,700		3.31
11	William T. Gatchalian	2,091,000	1,481,500	1.17
12	Pacific Rehouse Corp.	1,258,000	1,670,000	0.96
13	Kenstar Industrial Corp.	2,312,331		0.76
14	PCD Nominee Corporation (Non-Filipino)		2,030,952	0.66
15	Nancy Saw		1,846,500	0.60
16	Tin Fu Or Trajano		820,000	0.27
17	Severin Haselmann		730,000	0.24
18	CTBC TA#5-C184; Zuellig Corp.	684,829		0.22
19	UBP Capital Corporation	645,000		0.21
20	Rexlon T. Gatchalian	600,000		0.20
	Others	9,562,486	55,802,793	5.40
	Total	183,673,470	122,448,979	100.00

Dividends

No dividends were declared in the last two fiscal years and in the interim period.

Restriction that limits the payment of Dividends on Common Shares

There are no restrictions that limit the ability to pay dividends.

Sales of unregistered or exempt securities

There are no recent sales of unregistered or exempt securities.

COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

- (a) Metro Alliance's Compliance Officer is mandated to monitor the compliance of all concerned to the provisions and requirements of the Manual on Corporate Governance, and to facilitate the monitoring, the Compliance Officer has established the "Corporate Governance Monitoring and Assessment" to measure or determine the level of compliance of the Corporation with the Amended Manual on Corporate Governance (Manual).
- (b) Metro Alliance believes that its Amended Manual on Corporate Governance is in line with the leading practices and principles on good governance, and as such, is in full compliance.
- (c) There were minor deviations from the Corporation's Manual during the period January to December 2014 due mainly to recent changes and business development plans.
- (d) Metro Alliance will improve its Amended Manual on Corporate Governance when appropriate and warranted, in the Board of Directors' best judgment. In addition, it will be improved when a regulatory agency such as the SEC requires the inclusion of a specific provision.
- (e) Metro Alliance filed its Annual Corporate Governance Report last April 29, 2015 covering the year 2014.

**METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND
SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

AND

INDEPENDENT AUDITOR'S REPORT



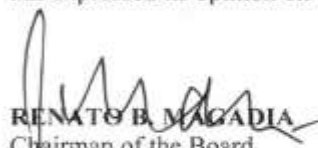
METRO ALLIANCE
HOLDINGS & EQUITIES CORP.

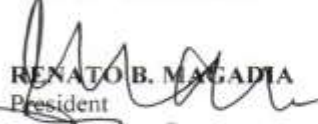
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.** is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended **December 31, 2014 and 2013**, including the additional components attached therein, in accordance with the financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

Valdes Abad & Associates, the independent auditors, appointed by the stockholders has examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the members or, has expressed its opinion on the fairness of presentation upon completion of such examination.


RENATO B. MAGADIA
Chairman of the Board


RENATO B. MAGADIA
President


JAMES B. PALIT-ANG
Corporate Treasurer

QUEZON CITY

APR 13 2015

SUBSCRIBED AND SWORN to before me in _____ City/Province, Philippines on _____
affiants personally appeared before me and exhibited to me their

Name
1. RENATO B. MAGADIA
2. JAMES B. PALIT-ANG

Tax Identification Number
100-942-390
151-671-333

WITNESS MY HAND AND SEAL on the date and at the place above written.


ATTY. RAMON L. CARPIO
NOTARY PUBLIC

DOC NO: 215
PAGE NO: 43
BOOK NO: XXX
SERIES OF 2015

NOTARY PUBLIC FOR Np-89 (2015-2016) City/Province Expires Dec. 31, 2016
Notarial Commission No. Roll of Attorneys No. 22172
Commission expires on December 31, 2016
Roll of Attorney Number IBP OR 978729, 12/12/14, Pasig City
PTR No. 0320443, 1/6/15, Pasig City
TIN 106-918-897
IBP No. MCLB IV-Compliance No. 000630, 6/19/13
Office Address: Rm. 326 Doña Consolacion Bldg. Cubao, Quezon City

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Meralco Ave. Ortigas Center Pasig City, Phils. 1605

Valdes Abad & Associates

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valdes.abad.associates@gmail.com

Associate firm of

gmn
international

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES

22nd Floor Citibank Tower
8741 Paseo de Roxas, Makati City

We have audited the accompanying consolidated financial statements of Metro Alliance Holdings & Equities Corp. and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the consolidated statement of comprehensive income, statements of changes in equity, and the statement of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information. The consolidated financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.** and its subsidiaries as of and for the year ended December 31, 2013 were audited by other auditors whose report thereon dated October 10, 2014, expressed a qualified opinion because the accounts of a special purpose entity were excluded from the consolidated financial statements.

Management's Responsibility for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

The accounts of a special purpose entity as shown in Note 8 were excluded in the consolidated financial statements since 2007 because the entity is no longer operating as a going concern and is in the process of liquidation.

Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.** and its subsidiaries as of December 31, 2014 and 2013, and its financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Emphasis of a Matter

Without qualifying our opinion, we draw attention to Notes 2 and 8 to the consolidated financial statements, which indicate that the Parent Company has advances to Polymax Worldwide Limited (Polymax) of ₱788.7 million and ₱960.3 million as of December 31, 2014 and 2013, respectively, and on the other hand, Polymax has past due liabilities of ₱994.7 million as of December 31, 2014 and 2013, for which the Parent is jointly and severally liable. The realization of the Parent Company's advances to Polymax and the settlement of Polymax's past due liabilities, for which the Parent Company is jointly and severally liable, are dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPC Alliance Corporation and from the letter of comfort issued by the Parent Company's major stockholders in favor of the parent Company. These factors may cast significant doubt about the Parent Company's ability to continue as a going concern. The consolidated financial statements have been prepared assuming that the Parent Company will continue as a going concern and do not include any adjustments that might result for the outcome of these uncertainties. Management's plan is to infuse additional capital to address these going concern uncertainties.

VALDES ABAD & ASSOCIATES

For the firm:


FELICIDAD A. ABAD

Partner

CPA Certificate No. 0025184

TIN No. 123-048-248-000

PTR No. 4755557- 01/06/2015

PRC – BOA Reg. No. 0314

Issued on March 6, 2013

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Issued on September 19, 2013

Valid until September 18, 2016

BIR Accreditation No. 08-002126-001-2014

Issued on October 29, 2014

Valid until October 29, 2017

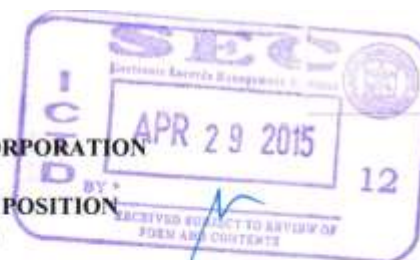
Makati City, Philippines
April 28, 2015

METRO ALLIANCE HOLDINGS AND EQUITIES CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(With Comparative Figures as of December 31, 2013)

(In Philippine Peso)



		December 31,	
ASSETS	Notes	2014	2013
CURRENT ASSETS			
Cash	6	22,144,944	14,448,429
Receivables, net	7	80,303,539	75,886,415
Assets held for sale	8	788,662,261	960,289,978
Other current assets, net	9	20,783,745	21,061,390
Total Current Assets		911,894,489	1,071,686,211
NON-CURRENT ASSETS			
Available for sale investment	10	6,558,768	6,133,013
Property and equipment, net	11	5,052,315	1,869,689
Deferred tax asset	21	4,773,825	4,609,814
Intangible assets	12	750,000	-
Total Non-Current Assets		17,134,908	12,612,516
TOTAL ASSETS		929,029,397	1,084,298,727
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	13	418,904,085	403,616,777
Due to related parties	15	416,729,684	574,961,241
Current portion of long-term debt	14	-	179,415
Total Current Liabilities		835,633,769	978,757,434
NON CURRENT LIABILITIES			
Accrued retirement benefit costs	22	5,571,489	5,571,489
Deferred tax liability	21	347	-
Total Non-Current Liabilities		5,571,836	5,571,489
EQUITY			
Equity Attributable to Equity Holders of Parent Company			
Capital stock	16	306,122,449	306,122,449
Additional paid-in capital		3,571,921	3,571,921
Deficit	28	(236,473,666)	(220,699,716)
Remeasurement gain on retirement plan	22	2,347,003	2,347,003
Available-for-sale reserve	10	2,787,805	2,362,050
		78,355,512	93,703,707
Non-controlling interest		9,468,280	6,266,099
Total Equity		87,823,792	99,969,806
TOTAL LIABILITIES AND EQUITY		929,029,397	1,084,298,729

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS AND EQUITIES CORPORATION

COSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(With Comparative Figures for the Year Ended December 31, 2013)

(In Philippine Peso)

For the Years Ended December 31,	Notes	2014	2013
SALE OF SERVICES	17	127,689,577	123,507,591
COST OF SERVICES	18	<u>102,105,535</u>	<u>103,411,399</u>
GROSS PROFIT		25,584,041	20,096,192
OTHER INCOME		409,330	135,545
EXPENSES	19	(26,024,027)	(23,442,443)
FINANCE INCOME(COST), NET	20	<u>(7,173,001)</u>	<u>37,283</u>
LOSS BEFORE INCOME TAX		<u>(7,203,656)</u>	<u>(3,173,423)</u>
PROVISION FOR (BENEFIT FROM) INCOME TAX	21		
Current		(2,962,218)	(2,985,313)
Deferred		<u>163,664</u>	<u>2,186,439</u>
		<u>(2,798,555)</u>	<u>(798,874)</u>
NET LOSS		(10,002,211)	(3,972,297)
OTHER COMPREHENSIVE LOSS			
Unrealized gain(loss) on available-for-sale investments	10	425,755	(1,046,261)
Remeasurement gain (loss) on retirement plan, net of deferred income tax	22	-	3,972,325
TOTAL COMPREHENSIVE (LOSS)		<u>(9,576,456)</u>	<u>(1,046,233)</u>
Net income (loss) attributable to:			
Equity holders of the Parent Company	25	(13,204,392)	(4,892,689)
Non-controlling interest		3,202,181	920,392
		<u>(10,002,211)</u>	<u>(3,972,297)</u>
Other comprehensive income (loss) attributable to:			
Equity holders of the Parent Company		-	979,625
Non-controlling interest		425,755	1,946,439
		<u>425,755</u>	<u>2,926,064</u>
Basic loss per share			
Loss for the year attributable to equity holders of the Parent Company	25	<u>(0.04)</u>	<u>(0.02)</u>

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS AND EQUITIES CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(With Comparative Figures as of December 31, 2013)

(In Philippine Peso)

For the Years Ended December 31,	Notes	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(7,203,656)	(3,173,423)
Adjustments for:			
Unrealized foreign exchange loss		-	1,640,269
Amortization of intangible assets	12	150,000	1,412,513
Depreciation and amortization	11	1,192,994	1,088,965
Provision for retirement benefit costs	22	-	5,122,375
Interest expense	20	7,207,800	48,960
Interest income	20	(34,799)	(86,243)
Dividends received		500	-
Deferred tax assets		(2,536,463)	-
Other non-cash adjustments		(2,569,558)	(1,164,940)
Operating income before working capital changes		(3,793,183)	4,888,476
Changes in assets and liabilities:			
Receivables, net		(4,417,124)	(2,318,065)
Other current assets		277,644	(2,184,256)
Accounts payable and accrued expenses		15,287,308	13,734,008
Net Cash from Operating Activities		7,354,646	14,120,163
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	20	34,799	86,243
Increase in asset held for sale	15	171,627,717	(5,646,913)
Acquisition of property and equipment	11	(4,375,620)	(911,649)
Acquisition of intangible assets	12	(900,000)	(273,874)
Increase (decrease) in AFS	10	(425,755)	-
Net Cash from Investing Activities		165,961,141	(6,746,193)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends received		(500)	-
Interest paid	20	(7,207,800)	-
Increase (decrease) in due to related parties		(158,231,557)	(755,121)
Payment of long-term debt	14	(179,415)	(237,149)
Net Cash from Financing Activities		(165,619,272)	(992,270)
NET INCREASE IN CASH		7,696,515	6,381,700
CASH, Beginning	6	14,448,429	8,066,729
CASH, End	6	22,144,944	14,448,429

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS AND EQUITIES CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In Philippine Peso)

(With Comparative Figures as of December 31, 2013)

	Attributable to Equity Holders of the Parent Company						Minority Interests	Total Equity
	Capital Stock (Note 16)	Additional Paid-in Capital	Retained Earnings (Deficit)	Remeasurement Gain (Loss) on Retirement Plan (Note 22)	AFS Reserve (Note 10)	Subtotal		
Balances at January 1, 2013, as previously restated	306,122,449	3,571,921	(215,518,672)	-	3,408,311	97,584,009	3,367,790	100,951,799
Effect of adoption of PFRS 19	-	-	(288,355)	321,117	-	32,762	31,478	64,240
Balances at January 1, 2013, as restated	306,122,449	3,571,921	(215,807,027)	321,117	3,408,311	97,616,771	3,399,268	101,016,039
Net income (loss)	-	-	(4,892,689)	-	-	(4,892,689)	920,392	(3,972,297)
Other comprehensive income (loss)	-	-	-	2,025,886	(1,046,261)	979,625	1,946,439	2,926,064
BALANCES AS OF DECEMBER 31, 2013	306,122,449	3,571,921	(220,699,716)	2,347,003	2,362,050	93,703,707	6,266,099	99,969,806
Net income (loss)	-	-	(13,204,392)	-	-	(13,204,392)	3,202,181	(10,002,211)
Other comprehensive income (loss)	-	-	-	-	425,755	425,755	-	425,755
Other adjustments to retained earnings	-	-	(2,569,558)	-	-	(2,569,558)	-	(2,569,558)
BALANCES AS OF DECEMBER 31, 2014	306,122,449	3,571,921	(236,473,666)	2,347,003	2,787,805	78,355,512	9,468,280	87,823,792

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 1 – CORPORATE INFORMATION

METRO ALLIANCE HOLDINGS & EQUITIES CORP. (MAHEC or the Parent Company) is incorporated in the Philippines. The Parent Company and its subsidiaries (collectively referred to as “the Group”) are involved in contract logistics. Certain subsidiaries previously engaged in the importation and distribution of polypropylene resin and pharmacy management had ceased operations.

The registered office address of the Parent Company is 22nd Floor, Citibank Tower, 8741 Paseo de Roxas, Makati City.

The accompanying consolidated financial statements as of December 31, 2014 were approved and authorized for issue by the Board of Directors (BOD) on April 6, 2015.

NOTE 2– STATUS OF OPERATIONS

2.1 Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Parent Company will continue as a going concern. As of December 31, 2014 and 2013, the Parent Company has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₱960.4 million and ₱960.3 million, respectively, relating to the acquisition of the petrochemical plant of Bataan Polyethylene Corporation (BPC) involving a series of acquisition transactions described in the next section below. On the other hand, Polymax (jointly and severally with the Parent Company) has past due liabilities, including interest and penalties, amounting to ₱994.7 million as of December 31, 2014 and 2013, respectively, which were obtained to partially finance the acquisition of the petrochemical plant, resulting from the transfer of past due loans as discussed in the next paragraph.

In 2007, the Parent Company unilaterally transferred to Polymax two significant past due liabilities totaling ₱866.7 million as of December 31, 2006 that were obtained (jointly and severally with Polymax) to partially finance the acquisition of the petrochemical plant, and applied these against the Parent Company’s advances to Polymax, in order to reflect the economic substance of the acquisition and related loan transactions as discussed in Note 8.

As explained in Note 8, the remaining 20% of Polymax’s interest in the petrochemical plant is for sale. The realization of the Parent Company’s advances to Polymax (an unconsolidated special purpose entity starting in 2007) and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, depend on whether sufficient cash flows can be generated from the sale of Polymax’s remaining 20% interest in NPC Alliance Corporation (NPCA) and from the letter of comfort issued by the Parent Company’s major stockholders in favor of the Parent Company. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. As explained in Note 15b, management’s plan is to infuse additional capital to address the going concern uncertainty.

2.2 Acquisition Transactions

On December 4, 2003, the Parent Company entered into a Memorandum of Agreement (MOA) with Polymax, whereby the Parent Company confirmed the designation of Polymax as the acquiring company in the proposed acquisition of the senior secured debt papers of BPC from International Finance Corporation (IFC). Under the MOA, the Parent Company and Polymax agreed that (a) the acquisition of the secured debt paper would be for the account and benefit of the Parent Company; (b) the funding for the acquisition would be provided and arranged by the Parent Company; and (c) the exercise of creditor rights arising from the secured debts via foreclosure and takeover of the assets of BPC would be directed by and for the account and benefit of the Parent Company. In addition, the Parent Company would make certain advances to Polymax.

On December 19, 2003, Polymax and IFC entered into an Assignment and Transfer Agreement (the Agreement) for the purchase by the former of the senior secured debt papers of BPC. The Parent Company advanced to Polymax the initial deposit of US\$5 million, which was remitted to IFC for the assignment payment, pursuant to the terms of the Agreement. On February 11, 2004, IFC confirmed that it has received the full payment for the assignment of the senior secured debt papers of BPC.

To partially finance the Parent Company's advances relating to the Petrochemical Project, the Parent Company obtained short-term loans from local banks. With the delay in the completion of the activities and the conditions required for the Petrochemical Project, the Parent Company was unable to pay the bank loans on maturity dates. As of December 31, 2006, the amounts payable to the banks totaled ₱866.7 million, consisting of the outstanding principal balance of ₱378.3 million and finance charges of ₱488.4 million. In 2007, these past due liabilities were unilaterally transferred to and applied against the advances made to Polymax as discussed in Note 8.

Pursuant to the Parent Company's plan of acquiring full control of BPC, instead of exercising creditor rights, the Parent Company, on April 16, 2004, entered into a Share Purchase Agreement (SPA) with BPC, Tybalt Investment Limited (TIL), BP Holdings International B.V. (BPHI) and Petronas Philippines, Inc. (PPI), with TIL as the purchaser of the 83% interest of the foreign shareholders of BPC. As agreed by the parties, the SPA is to take effect as of March 31, 2004, subject to closing conditions, as defined in the SPA, which the parties have to comply with within a period of 60 days or later if the conditions are not met.

On July 7, 2005, Polymax and BPC executed a Deed of Conveyance, transferring to Polymax under an asset for share swap, the petrochemical plant of BPC in exchange for 85 million common shares of Polymax with par value of US\$1 per share, or a total par value of US\$85 million.

On July 20, 2005, the Parent Company, Polymax and NPC International Limited (NPCI) entered into an SPA which provided that, subject to certain conditions, including the transfer of the petrochemical plant of BPC free from encumbrances, NPCI will acquire 60% of the issued share capital of NPCA from Polymax.

On August 9, 2005, Polymax and NPCA executed a Deed of Conveyance, transferring to NPCA, under an asset for share swap, the same petrochemical plant in exchange for 4.8 million shares of common stock of NPCA with a total par value of ₱4.8 billion, resulting in 100% ownership interest of Polymax in NPCA.

On November 15, 2005, BPC and Polymax executed a Deed of Assignment whereby BPC transferred and conveyed to Polymax all its rights and interest to Polymax's 85 million shares of common stock, with a total value of US\$85 million, in exchange for the discharge of a portion of BPC's secured debt, which was acquired by Polymax from IFC, up to the extent of the value of the shares transferred. Polymax retired the said shares 10 days from the date the Deed of Assignment.

On December 16, 2005, Polymax, NPCI, Petrochemical Industries Investment Company (PIIC) and the Parent Company entered into an amended SPA whereby NPCI and PIIC will purchase 40% and 20% of NPCA's shares of common stock, respectively, from Polymax. In addition to the conditions set forth in the original SPA, the amended SPA also involves advances to be provided by NPCI amounting to US\$15 million representing an advance payment which may be used to fund the bona fide third party costs of NPCA or BPC for the recommissioning, operation and maintenance of the petrochemical plant or such other third party cost or expenses, taxes or duties as agreed between Polymax and NPCI.

On the same date, the Parent Company, NPCI and PIIC entered into a Guarantee and Indemnity agreement whereby the Parent Company irrevocably and unconditionally guaranteed the prompt performance and observance by Polymax and the payment on demand by Polymax of all moneys, obligations and liabilities, which are now or at any time after the execution of the agreement become due from or owing or incurred by Polymax under or in connection with any of the SPA and the Shareholders' Agreement. The Parent Company also guaranteed that it shall be liable for Polymax's obligations, as if it were a principal debtor, if Polymax's obligations are no longer recoverable from Polymax.

On March 18, 2006, Polymax, NPCI, PIIC and the Parent Company entered into an Agreement of Variation (March 2006 Variation Agreement) to vary and amend the terms of the "Amended and Restated Share Purchase Agreement (ARSPA) and the Shareholders' Agreement" entered on December 16, 2005. Under the March 2006 Variation Agreement, completion of the conditions and conditions subsequent set forth in the ARSPA was extended to April 30, 2006. Moreover, additional conditions that Polymax needs to satisfy prior to completion were agreed upon.

On the same date, Polymax and NPCI executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to NPCI all the rights, title and interest in 19,090,000 NPCA shares of common stock, equivalent to 40% ownership interest, for a consideration of ₱1.91 billion.

On September 11, 2006, Polymax, NPCI, PIIC, the Parent Company and NPCA entered into another Agreement of Variation (September 2006 Variation Agreement) to further vary and amend the terms of the ARSPA and the Shareholders' Agreement (both initially amended and varied by the March 2006 Variation Agreement). Polymax, in accordance with its obligations under the ARSPA, had notified NPCI and PIIC that it is aware that certain conditions will not be fulfilled by April 30, 2006. As a result, the parties agreed to transfer to PIIC the 9,545,000 NPCA shares of common stock prior to completion, while certain conditions will become conditions subsequent to be completed on December 31, 2006.

On September 20, 2006, Polymax and PIIC executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to PIIC all the rights, title and interest in 9,545,000 NPCA shares of common stock, equivalent to 20% ownership interest, for a consideration of ₱954.5 million.

On December 31, 2006, the ARSPA Variation Agreement expired with the conditions subsequent remaining unsettled. Nevertheless NPCI and PCII took control of the petrochemical plant resulting in a dispute with the Parent Company and Polymax, who considered the sale of Polymax's 40% and 20% interest in the petrochemical plant to NPCI and PCII, respectively, as null and void.

On August 21, 2007, the petrochemical plant started commercial operations under NPCI and PIIC.

Subsequently on August 27, 2013, the Parent Company and Polymax entered into a settlement agreement with NPCI, PIIC and NAC to resolve, fully and finally, the dispute arising from the uncompleted acquisition transactions described above. Under the agreement, NCPI shall, among others, pay Polymax the remaining balance of the purchase price of the 60% NPCA shares net of deductions agreed by the parties. Simultaneous with the execution of the agreement, Polymax shall also sell to NPCI an additional 20% of Polymax's interest in NPCA from the remaining 40% equity holding in NPCA at US\$8 million or its equivalent in Philippine peso. In September 2013 and August 2014, the remaining balance due to Polymax was paid by NCPI and the 20% interest of Polymax in NPCA was sold to NCPI, respectively, in accordance with the agreement.

As a result of the foregoing settlement, the arbitration tribunal issued on October 2, 2014 an order for withdrawal of the arbitration cases (under the United Nations Commission on International Trade Law Rules of Arbitration), which were earlier filed by the parties due to the dispute arising from their various agreements.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) approved by the Philippine Financial Reporting Standards Council (PFRSC) and the SEC.

The consolidated financial statements have been prepared on the accrual basis using historical cost basis, except for available-for-sale (AFS) financial assets that are measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. All values are rounded to the nearest million, except when otherwise indicated.

The consolidated financial statements comprise the financial statements of the Parent Company, Metro Alliance Holdings and Equities Corp., and the following subsidiaries:

	Percentage of Ownership	
	2014	2013
Operating subsidiaries:		
Metro Combined Logistics Solutions, Inc. (MCLSI) (formerly GAC Logistics, Inc.)	51.00	51.00
Non-operating subsidiaries:		
Consumer Products Distribution Services, Inc. (CPDSI)	100.00	100.00
FEZ-EAC Holdings, Inc. (FEZ-EAC)	100.00	100.00
Zuellig Distributors, Inc. (ZDI)	100.00	100.00
Asia Healthcare, Inc. (AHI)	60.00	60.00

A subsidiary is an entity in which the Parent Company has control. Subsidiaries are consolidated from the date on which control is transferred to the Parent Company and cease to be consolidated from the date on which control is transferred out of the Parent Company.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

Non-controlling Interests

Non-controlling interests represent the interests in subsidiaries which are not owned, directly or indirectly through subsidiaries, by the Parent Company. If losses applicable to the non-controlling interest in a consolidated subsidiary exceed the non-controlling interest's equity in the subsidiary, the excess, and any further losses applicable to non-controlling interest, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good of the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the interest's share of losses previously absorbed by the majority interest has been recovered.

Adoption of New Standards, Amendments to Standards and Interpretations

The PFRSC approved the adoption of new standards, amendments to standards, and interpretations.

Amendments to Standards and Interpretations Adopted in 2013

Starting January 1, 2013, the Group adopted the following new and amended PAS and Philippine Interpretations from International Financial Reporting Interpretation Committee (IFRIC):

- PFRS 10, *Consolidated Financial Statements*. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. Adoption of this standard has no significant impact on the consolidated financial statements.
- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments)*. The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. Adoption of this standard is reflected in the consolidated statement of comprehensive income.
- PAS 19, *Employee Benefits (Revised)*. For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period. The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized. Adoption of this standard resulted in the inclusion of additional disclosures in the consolidated financial statements and restatement of December 31 and January 1, 2012 accounts.

- PFRS 12, *Disclosure of Interests in Other Entities*. PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). Adoption of this standard has no significant impact on the consolidated financial statements.

- PFRS 13, *Fair Value Measurement*. PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Adoption of this standard resulted in the inclusion of additional disclosures in the consolidated financial statements (see Note 26).

Annual Improvements to PFRSs (2009-2011 Cycle)

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*. These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. As a result, the Group has included comparative information in respect of the opening consolidated balance sheet as at January 1, 2012 since there is a retrospective application of an accounting policy.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*. The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. This has no impact on the consolidated financial statements.

Future Changes in Accounting Policies

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been early adopted. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below.

Effective 2014

PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*. These Amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these Amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

Effective in 2015

PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)*. The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans.

Annual Improvements to PFRSs (2010-2012 Cycle)

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*. The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively.

- PFRS 13, *Fair Value Measurement – Short-term Receivables and Payables*. The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- *PAS 24, Related Party Disclosures – Key Management Personnel.* The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.

Cash

Cash include cash on hand and in banks.

Financial Assets and Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

Subsequent to initial recognition, the Group classifies its financial assets and liabilities in the following categories: held-to-maturity (HTM) financial assets, AFS investments, FVPL financial assets and loans and receivables. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of Fair Value. The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Day 1 Profit. Where the transaction price in a non-active market is different from the fair value of the other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 Profit) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'day 1' profit amount.

Financial Assets

Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognized in the consolidated statement of comprehensive income.

Financial assets may be designated by management at initial recognition at FVPL, when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis; or
- the assets are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

The Group has no financial assets at FVPL as of December 31, 2014 and 2013.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial asset at FVPL. Receivables are carried at cost or amortized cost, less impairment in value. Amortization is determined using the effective interest method.

The Group's cash, receivables and refundable deposits (included under other current assets) are included in this category.

HTM Investments. HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and classified as AFS investments. After initial measurement, these investments are measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that is an integral part of the effective interest rate.

Gains and losses are recognized in the consolidated statement of comprehensive income when the HTM investments are derecognized or impaired, as well as through the amortization process.

The Group has no HTM investments as of December 31, 2014 and 2013.

AFS Investments. AFS investments are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. Subsequent to initial recognition, AFS investments are measured at fair value with unrealized gains or losses recognized as other comprehensive income in the unrealized gain (loss) on AFS investments account until the investment is derecognized, at which time the cumulative gain or loss is recognized in other income, or the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the unrealized gain (loss) on AFS investments account to profit or loss under other expense.

The Group's investments in equity securities included under the available-for-sale investments account are classified under this category.

Financial Liabilities

Financial Liabilities at FVPL. Financial liabilities are classified in this category if these result from trading activities or derivative transactions that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category.

The Group has no derivative liabilities as of December 31, 2014 and 2013.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Included in this category are: accounts payable and accrued expenses (excluding payable to government agencies and reserves for contingencies), due to related parties and long-term debt.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets

The Group assesses at balance sheet date whether a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of loss shall be recognized in the consolidated statement of comprehensive income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets Carried at Cost. If there is objective evidence of an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Financial Assets. If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of comprehensive income, is transferred

from equity to the consolidated statement of comprehensive income. Reversals in respect of equity instruments classified as AFS are not recognized in profit. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated balance sheet.

Asset Held for Sale

An asset is classified as asset held for sale when its carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is highly probable. Asset held for sale is stated at the lower of its carrying amount and fair value less costs to sell.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization of property and equipment commences once the fixed assets are available for use and is calculated on a straight-line basis over the following estimated useful lives:

	Number of Years
Leasehold improvements	5 years or lease term, whichever is shorter
Machinery and equipment	3 to 10
Office furniture, fixtures and equipment	2 to 5

The remaining useful lives, residual values and depreciation and amortization method are reviewed periodically to ensure that the periods, estimated residual values and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

When an asset is sold or retired, its cost and related accumulated depreciation and amortization and any impairment in value are eliminated from the accounts. Any gain or loss resulting from its disposal is credited to or charged against current operations.

Intangible Assets

Intangible assets pertaining to software license costs that are acquired separately are initially carried at cost. Subsequently, intangible assets with definite useful lives are carried at cost less accumulated amortization and

impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives, which do not exceed three years.

The remaining useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Impairment of Non-financial Asset with Definite Useful Life

The carrying values of property and equipment and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Capital stock is measured at par value for all shares issued. Proceeds of consideration received in excess of par value are recognized as additional paid-in capital.

Revenue

Revenue is recognized to the extent that is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably. Revenue is recognized as follows:

Logistics and Other Services

Revenue is recognized when the related services are rendered.

Interest

Interest income is recognized as it accrues, taking into account the effective yield of the asset.

Dividend Income

Dividend income is recognized when the right to receive the payment is established.

Expenses

Expenses are recognized as incurred.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Borrowing Costs

Borrowing costs are generally expensed as incurred, unless there are qualifying assets that require capitalization of borrowing costs.

Retirement Benefits Costs

The Parent Company and MCLSI provide for estimated retirement benefits to be paid under Republic Act (RA) No. 7641, Retirement Law, to all their permanent employees. MCLSI has a funded, non-contributory defined benefit retirement plan, administered by a trustee, covering its permanent employees. The cost of providing benefits under the defined benefit retirement plan is determined using the projected unit credit actuarial valuation method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur.

The net defined liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Retirement benefits costs include service cost, net interest on the net defined obligation or asset and remeasurements of net defined benefit obligation or asset.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as part of cost of services and expenses in the consolidated statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined obligation or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit obligation) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The net retirement benefits liability recognized by the Group is the aggregate of the present value of the defined benefit obligation at the end of the balance sheet date reduced by the fair value of plan assets, adjusted for any effect of limiting a net pension asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Plan assets are assets that are held by a long-term employee benefit fund. Fair value of plan assets is based on market price information.

Foreign Currency Transactions and Translations

Transactions denominated in foreign currency are recorded in Philippine peso using the prevailing exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated to Philippine peso using the prevailing exchange rate at balance sheet date. Foreign exchange gains or losses arising from the translation at balance sheet date or settlement of monetary items at rates different from those at which they were initially recorded are credited to or charged against current operations.

Income Tax

Income tax for the year comprises current and deferred income tax. Income tax is recognized in the consolidated statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to tax authority. The tax rates and tax laws used to compute the current tax are those that are enacted and substantively enacted as of balance sheet date.

Current income tax relating to items recognized directly in equity, if any, is recognized in equity and not in profit or loss.

Deferred Tax

Deferred income tax is provided using the balance sheet liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the carry forward tax benefits of the net operating loss carryover (NOLCO) and the excess of minimum corporate income tax (MCIT) over the regular corporate income tax. The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted at reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the carry-forward benefits of unused NOLCO and MCIT can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Income tax relating to other comprehensive income, if any, is recognized in the other comprehensive income section of the consolidated statements of comprehensive income.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of outstanding shares. The Parent Company has no dilutive potential common shares that would require disclosure of diluted earnings per share in the consolidated statement of comprehensive income.

Segments

The Group's operating businesses are recognized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serve different markets. Financial information on business segments are presented in Note 5.

Provisions

Provisions are recognized only when the Group has (a) a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events after the End of Reporting Period

Post year-end events that provide additional information about the Group's position at balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as these become reasonably determinable.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Consolidation of SPE

An entity is considered a SPE and included in consolidation even in cases when the Parent Company owns less than one-half or none of the SPE's equity, when the substance of the relationship between the Parent Company and the SPE indicates that the SPE is controlled by the Parent Company. While the Parent Company has no ownership interest in Polymax, this SPE was included in the 2006 consolidated financial statements and prior years. However starting in 2007, the SPE was no longer consolidated because it had ceased operating as a going concern (see Note 8).

Operating Lease Commitments – Group as Lessee

The Group has various operating lease agreements for their respective offices and warehouses. The Group has determined that the risks and rewards of ownership of the underlying properties have been retained by their respective lessors. Accordingly, these leases are accounted for as operating leases (see Note 23).

Contingencies

The Group is currently involved in various legal proceedings, which are normal to its business as discussed in Note 29. The Group's estimate of the probable costs for these proceedings and resolution of these claims have been developed in consultation with outside counsel handling the prosecution and defense of these cases and is based upon an analysis of potential results. The Group does not believe that these legal proceedings will have a material adverse effect on its consolidated financial statements. It is possible, however, that changes in estimates relating to these proceedings may materially affect results of operations.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, which have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimating Allowance for Probable Losses

The Group reviews the carrying amounts of receivables, creditable withholding and input taxes (under other current assets) and advances to Polymax (under asset held for sale) at each balance sheet date and reduces the balance of these assets to their estimated recoverable amounts.

Receivables (net of allowance for doubtful accounts of ₱149.5 million and ₱149.1 million as of December 31, 2014 and 2013, respectively) amounted to ₱80.3 million and ₱75.9 million as of December 31, 2014 and 2013, respectively (see Note 7).

The carrying amount of other current assets amounted to ₱20.7 million and ₱21.06 million as of December 31, 2014 and 2013, respectively, as discussed in Note 9. Allowance on probable losses, mainly pertaining to creditable withholding and input taxes, amounted to ₱14.1 million as of December 31, 2014 and 2013 as shown also in Note 7.

Advances to Polymax (under asset held for sale) amounting to ₱788.7 million and ₱960.3 million as of December 31, 2014 and 2013, respectively, constitute 85% and 89% of the Group's total assets at the end of

2014 and 2013, respectively. The realization of the Parent Company's advances to Polymax and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, is dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPCA and from the letter of comfort issued by the Parent Company's major stockholders in favor of the Parent Company, as discussed in Note 8.

Estimating Useful Lives and Residual Values of Property and Equipment and Intangible Assets

The Group estimates the useful lives and residual values of its property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives and residual values based on factors that include asset utilization, internal technical evaluation, technological changes, and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property and equipment and intangible assets would increase depreciation and amortization expenses, while an increase in the estimated useful lives would decrease depreciation and amortization expenses.

There has been no change in the Group's estimate of the useful lives and residual values of its property and equipment in 2014 and 2013.

In 2014 and 2013, MCLSI's management assessed that there is a significant change from the previous estimates and estimated useful life of its intangible assets to one year, since the assets will no longer provide future economic benefit to the Company as disclosed in Note 12.

Evaluation of Impairment of Noncurrent Nonfinancial Assets

The Group assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual asset or, if it is not possible, for the cash generating unit to which the asset belongs.

Management believes that there was no indication of impairment on property and equipment as of December 31, 2014 and 2013. As of December 31, 2014 and 2013, property and equipment, net of accumulated depreciation and amortization, amounted to ₱5 million and ₱1.9 million, respectively, as shown in Note 11 and total depreciation and amortization charged to operations amounted to ₱1.2 million in 2014 and ₱1.1 million in 2013 (see Notes 18 and 19).

Intangible assets as of December 31, 2013 have been fully depreciated as a result of the change in the estimated useful lives of the assets.

Fair Value of Financial Assets and Liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires use of accounting estimates and judgment. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., quoted market prices and interest rates). In the case of those financial assets and financial liabilities that have no active markets, fair values are determined using an appropriate valuation technique. Any change in fair value of these financial assets and liabilities would affect profit or loss and equity. The fair value of financial assets and liabilities are enumerated in Note 26.

Impairment of AFS Investments

The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as a decline of 20% or more below of the original cost of the investment, and "prolonged" as period longer than 12 months. In addition, the Group evaluates other factors for AFS investments with no quoted bid prices such as changes in the issuer's industry and sector performances, legal and regulatory framework, technology, and other factors that affect the recoverability of the investments.

Deferred Tax Assets

The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The recognized net deferred tax assets amounted to ₱4.8 million and ₱4.6 million as of December 31, 2014 and 2013, respectively (see Note 21).

The Group did not recognize deferred tax assets of the Parent Company and its non-operating subsidiaries amounting to ₱50.4 million and ₱48.6 million as of December 31, 2014 and 2013, respectively, as management believes that the Parent Company and its non-operating subsidiaries may not have sufficient future taxable profits available to allow utilization of these deferred tax assets as discussed in Note 21.

Retirement Benefits

The determination of the obligation and cost of retirement benefits is dependent on certain assumptions used by the actuary in calculating such amounts. These assumptions are describe in Note 22 to the consolidated financial statements and include, among others, discount rates, salary increase rates and expected rates of return on plan assets. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, will generally affect the recognized expense and recorded obligation in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligations.

Accrued retirement benefits costs amounted to ₱5.6 million as of December 31, 2014 and 2013(see Note 22)

NOTE 5 – SEGMENT INFORMATION

The Group's business activities are conducted in the Philippines and it is primarily in the contract logistics and supply chain management segment in 2014 and 2013.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, other current assets, asset held for sale and property and equipment, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of accounts payable and accrued expenses, due to related parties and long-term debt.

The financial information with regard to the Group's significant business segments as of December 31, 2014 and 2013 and for the years then ended is presented below.

2014

	Distribution and Contract Logistics	Other Businesses	Total
External Sales	₱ 127,689,577	₱ -	₱ 127,689,577
Results			
Segment result	8,935,216	(16,551,518)	(7,616,302)
Other income (expense)	408,434	4,211	412,645
Provision for income tax	(2,798,555)	-	(2,798,555)
Net income (loss)	6,545,095	(16,547,307)	(10,002,212)
Other Information			
Segment assets	83,046,376	845,983,021	929,029,397
Segment liabilities	56,743,551	784,462,054	841,205,605
Capital expenditures	4,371,230	4,390	4,375,620
Depreciation and amortization	1,186,580	6,414	1,192,994
Noncash items other than depreciation and amortization	443,358	7,175,160	7,618,518

2013

	Distribution and Contract Logistics	Other Businesses	Total
External Sales	₱ 123,507,591	₱ -	₱ 123,507,591
Results			
Segment result	4,147,695	(5,853,677)	(1,705,982)
Other income (expense)	(1,471,228)	3,787	(1,467,441)
Provision for income tax	(798,117)	(757)	(798,874)
Net income (loss)	1,878,350	(5,850,647)	(3,972,297)
Other Information			
Segment assets	67,684,247	1,016,614,481	1,084,298,728
Segment liabilities	47,926,521	936,402,401	984,328,922
Capital expenditures	911,649	-	911,649
Depreciation and amortization	1,082,681	6,284	1,088,965
Noncash items other than depreciation and amortization	9,835,854	79,065	9,914,919

NOTE 6 – CASH

Details of cash are as follows:

Particulars	2014	2013
Cash on hand	₱ 141,000	₱ 76,000
Cash in banks	<u>22,003,944</u>	<u>14,372,429</u>
Total	₱ <u>22,144,944</u>	₱ <u>14,448,429</u>

Cash in banks earn interest at the respective bank deposit rates. Interest income from banks amounted to ₱34,799 and ₱86,243 in 2014 and 2013, respectively.

NOTE 7 – RECEIVABLES

Details of receivables are as follows:

Particulars	2014	2013
Notes	₱ 138,710,706	₱ 138,710,706
Trade	42,259,980	32,530,015
Due from related parties (Note 15)	10,975,236	11,094,487
Others	<u>37,905,420</u>	<u>42,655,653</u>
Subtotal	229,851,342	224,990,861
Less: Allowance for probable losses	<u>(149,547,803)</u>	<u>(149,104,446)</u>
Total	₱ <u>80,303,539</u>	₱ <u>75,886,415</u>

The notes receivable bear interest at 3.5% per annum and are payable in 365 days on demand, subject to renewal upon mutual consent. Notes receivable are considered impaired and covered with allowance for probable losses, accordingly, no interest income was recognized in 2013 and 2014.

Trade receivables are non-interest bearing and are generally on 30 to 60 days' credit terms.

Due from related parties are noninterest bearing and have no fixed repayment terms.

Other receivables pertain to advances subject for liquidation.

The movements in the allowance for probable losses follow:

Particulars	2014	2013
Balance at beginning of year	₱ 149,104,446	₱ 147,364,684
Provision for the year	<u>443,357</u>	<u>1,739,762</u>
Balance at end of year	₱ <u>149,547,803</u>	₱ <u>149,104,446</u>

NOTE 8 – ASSET HELD FOR SALE

Asset held for sale amounting to ₱788,662,261 and ₱960,289,978 as of December 31, 2014 and 2013, respectively, which constitutes 85% and 89% of the Group's total assets as of December 31, 2014 and 2013, respectively, represents advances to Polymax, the Parent Company's special purpose entity incorporated in British Virgin Islands solely for the purpose of acquiring the petrochemical plant of NPCA as discussed in Note 2.

On March 18 and September 20, 2006, Polymax's interest in NPCA of 40% and 20%, respectively, was sold. Thereafter, Polymax's management decided to discontinue operations, cease operating as a going concern, and

exclude the accounts of Polymax in the Group's consolidated financial statements. The remaining 40% interest of Polymax in NPCA, which is for sale, is valued at ₱900 million, which is the estimated recoverable amount from sale of the investment (see Note 2 for details).

The realization of the Parent Company's advances to Polymax and the settlement of Polymax's past due liabilities related to the asset for sale, for which the Parent Company is jointly and severally liable, are dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 40% interest in NPCA. In this regard and to ensure the recoverability of the Parent Company's advances to Polymax and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, the Parent Company's major stockholders issued a letter of comfort in favor of the Parent Company on September 30, 2014.

During 2014, 20% of the 40% remaining interest of Polymax in NPCA was sold. To reiterate assurance of the collectability of the Parent Company's advances to Polymax, a comfort letter dated April 10, 2015 was issued by the major stockholders of the Parent Company.

Condensed unaudited financial information of Polymax as of December 31, 2014 and 2013 prepared on the liquidation basis of accounting is shown in the table below.

Particulars	2014	2013
Assets		
Cash and cash equivalents	₱ 130,966,060	₱ -
Assets held for sale	347,720,000	900,000,000
Due from related parties	530,685,120	485,685,120
Total assets	1,009,371,180	1,385,685,120
Liabilities		
Liabilities related to asset held for sale	994,668,446	994,668,446
Due to Metro Alliance Holdings and Equities Corp.	788,662,261	960,289,978
Other payable	49,030,000	49,030,000
Total liabilities	1,832,360,707	2,003,988,424
Capital deficiency	₱ 822,989,527	₱ 618,303,304

Asset held for sale of Polymax pertains to the estimated recoverable value of Polymax's remaining 40% interest in NPCA.

Due from related parties represents amount due from the Wellex group of companies.

Liabilities related to asset held for sale of Polymax as of December 31, 2014 and 2013 pertain to past due liabilities, which were obtained to finance the purchase of 100% ownership interest in NPCA. The Parent Company is jointly and severally liable with Polymax with respect to these past due liabilities. These liabilities were previously carried in the books of the Parent Company but were unilaterally transferred to Polymax in 2007 and partially applied against the advances made to Polymax to reflect the economic substance of the loan and acquisition transactions, instead of merely their legal forms, as discussed in Note 2.

The change in Polymax's net equity by ₱204.7 million in 2014 and ₱6.8 million in 2013, pertains to:

Particulars	2014	2013
Loss on disposal of asset held for sale	₱ 102,280,000	₱ -
Provision for impairment loss- asset held for sale	102,280,000	-
Interest and penalties	-	6,670,000
Professional fee	126,222	-
Net loss	₱ 204,686,222	₱ 6,670,000

Polymax's share in the net loss of NPCA amounted to ₱120.3 million in 2014 and ₱201.9 million in 2013; however, this was not recognized in both years so that the carrying value of Polymax's investment in NPCA will not fall below its estimated recoverable value from sale of ₱900 million.

NOTE 9 – OTHER CURRENT ASSETS

Details are as follows:

Particulars	2014	2013
Creditable withholding taxes	₱ 21,629,997	₱ 22,527,724
Input taxes	9,204,952	8,942,359
Refundable deposits	1,400,410	713,285
Prepayments and others	2,675,867	3,005,503
Subtotal	34,911,226	35,188,871
Less: Allowance for probable losses	(14,127,481)	(14,127,481)
Total	₱ 20,783,745	₱ 21,061,390

NOTE 10 – AVAILABLE-FOR-SALE-INVESTMENT

Available-for-sale investments consist of investments in shares of Mabuhay Vinyl Corporation (MVC) and others that are quoted in the local stock exchange, as well as investments in unlisted shares. Movements of the account follow:

Particulars	2014	2013
Balance at beginning of year	₱ 6,133,013	₱ 7,179,274
Net change in the fair value gain (loss) of AFS investments	425,755	(1,046,261)
Balance at end of year	₱ 6,558,768	₱ 6,133,013

The movements in net unrealized gain on AFS investment are as follows:

Particulars	2014	2013
Balance at beginning of year	₱ 2,362,050	₱ 3,408,311
Gain(loss) due to changes in fair market value of AFS investments	425,755	(1,046,261)
Balance at end of year	₱ 2,787,805	₱ 2,362,050

The net unrealized gain on AFS investments are deferred and presented separately as AFS reserve under the equity section of the consolidated financial position.

NOTE 11– PROPERTY AND EQUIPMENT
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As of December 31, 2014, this account consists of the following:

Particulars	Beginning Balances	Acquisitions/ Provisions	Ending Balances
Cost:			
Leasehold improvements	₱ 694,644	₱ 198,351	₱ 892,995
Machinery and equipment	18,684,425	3,757,654	22,442,079
Office furniture, fixtures and equipment	15,186,665	419,615	15,606,280
Total	34,565,734	4,375,620	38,941,354
Accumulated depreciation:			
Leasehold improvements	694,644	32,693	727,337
Machinery and equipment	18,122,433	600,411	18,722,844
Office furniture, fixtures and equipment	13,878,968	559,890	14,438,858
Total	₱ 32,696,045	₱ 1,192,994	33,889,039
Net Book Value	₱ 1,869,689		₱ 5,052,315

As of December 31, 2013, this account consists of the following:

Particulars	Beginning Balances	Acquisitions/ Provisions	Ending Balances
Cost:			
Leasehold improvements	₱ 694,644	₱ -	₱ 694,644
Machinery and equipment	18,339,405	345,020	18,684,425
Office furniture, fixtures and equipment	14,620,036	566,629	15,186,665
Total	33,654,085	911,649	34,565,734
Accumulated depreciation:			
Leasehold improvements	694,644	-	694,644
Machinery and equipment	17,540,750	581,683	18,122,433
Office furniture, fixtures and equipment	13,371,686	507,282	13,878,968
Total	₱ 31,607,080	₱ 1,088,965	₱ 32,696,045
Net Book Value	₱ 2,047,005		₱ 1,869,689

Transportation equipment included under office furniture, fixtures and equipment with a carrying value of ₱0 as of December 31, 2013 is mortgaged as collateral for long-term debt as discussed in Note 14.

NOTE 12 – INTANGIBLE ASSETS

Intangible assets pertain to non-exclusive software license costs for use in MCLSI's warehouse management system.

The carrying amount of intangible assets as of December 31, 2014 is as follows:

Particulars	Beginning Balances	Amortization	Ending Balances
Cost:			
Short messaging	₱ 135,135	₱ -	₱ 135,135
Warehouse management system	1,309,910	-	1,309,910
Caerus accounting system	-	900,000	900,000
Total	1,445,045	900,000	2,345,045
Accumulated depreciation:			
Short messaging	135,135	-	135,135
Warehouse management system	1,309,910	-	1,309,910
Caerus accounting system	-	150,000	150,000
Total	₱ 1,445,045	₱ 150,000	₱ 1,595,045
Net Book Value	₱ -		₱ 750,000

The carrying amount of intangible assets as of December 31, 2013 is as follows:

Particulars	Beginning Balances	Amortization	Ending Balances
Cost:			
Short messaging	₱ -	₱ 135,135	₱ 135,135
Warehouse management system	1,171,171	138,739	1,309,910
Total	1,171,171	273,874	1,445,045
Accumulated depreciation:			
Short messaging	-	135,135	135,135
Warehouse management system	32,532	1,277,378	1,309,910
Total	₱ 32,532	₱ 1,412,513	₱ 1,445,045
Net Book Value	₱ 1,138,639		₱ -

Intangible assets have been fully amortized during the year as MCLSI's management assessed that these will no longer provide a future economic benefit to MCLSI.

NOTE 13 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Details of this account are as follows:

Particulars	2014	2013
Trade payables	₱ 32,204,196	₱ 28,625,491
Accrued expenses	358,151,980	353,844,337
Accrued finance charges – related parties (Note 15)	14,209,630	7,034,470
Other liabilities	14,338,279	14,112,479
Total	₱ 418,904,085	₱ 403,616,777

Trade payables are noninterest bearing and have credit terms of 30 to 60 days.

Accrued expenses and other liabilities include provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered.

Provisions relate to pending claims jointly and severally against the Parent Company and Polymax and pending claims and tax assessment solely against the Parent Company. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the outcome of the related claims and tax assessments.

Other liabilities mainly pertain to payable to government agencies.

NOTE 14 – LONG-TERM DEBT

Long-term debt represents loans obtained by MCLSI amount to ₱179,415 as of December 31, 2013 which is fully paid during the year.

On July 21, 2009, MCLSI entered into two loan agreements for a total principal amount of ₱988,800 covering the acquisition of transportation equipment. The loan is payable monthly with interest at 19% per annum up to July 30, 2014 (for the first contract) and August 22, 2014 (for the second contract). The two loans are collateralized by transportation equipment as discussed in Note 11.

Total interest expense on the loans amounted to ₱32,640 in 2014 and ₱48,960 in 2013.

NOTE 15 - RELATED PARTY TRANSACTIONS

e. Due from/to related parties

The amounts due from related parties included under receivables are unsecured and noninterest bearing advances, which have no definite repayment terms.

The amounts due to related parties pertain to advances provided to the Parent Company to finance its working capital requirements, capital expenditures, Petrochemical Project support and for other investments and have no definite repayment terms. These are unsecured and noninterest bearing, except the liability to WPI, which is interest bearing but the related finance charges are being charged to Polymax, since the corresponding liability were obtained in relation to the Petrochemical Project.

f. Payables for shared operating expenses

On November 30, 2011, Gulf Agency Company Holdings (BV) and the Parent Company executed a Deed of Assignment in which the former offered to assign, transfer, cede and convey to the latter all its rights, title and interests in and to its shares, and the latter has accepted the offer. Accordingly, the former's shares were cancelled on May 7, 2012.

In accordance with the Deed of Assignment, it is agreed that the outstanding liabilities of MCLSI with Gulf Agency Company Holdings (BV) referred to in the Memorandum of Agreement dated November 30, 2011 will be honored and paid, should the latter's shares be sold to other persons.

g. Compensation of key management personnel follows:

Particulars	2014	2013
Short-term employee benefits	₱ 8,161,952	₱ 10,147,884
Retirement benefits (Note 20)	-	1,656,702
Total	₱ <u>8,161,952</u>	₱ <u>11,804,586</u>

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under their respective entity's retirement plan.

h. The related amounts applicable to the Group's transactions with related parties are as follows:

Particulars	Amount of Transactions Increase (Decrease)		Outstanding Receivable/Payable	
	2014	2013	2014	2013
Advances (Asset Held for Sale)				
Polymax (special purpose entity) (Note 7)	₱ <u>(171,627,717)</u>	₱ <u>5,646,912</u>	₱ <u>788,662,261</u>	₱ <u>960,289,978</u>
Due from Related Parties				
<i>Operating subsidiary</i>				
MCLSI	₱ -	₱ -	₱ <u>500,000</u>	₱ <u>500,000</u>
<i>Entity under common control</i>				
The Wellex Group, Inc.	<u>(5,384,826)</u>	<u>(5,268,421)</u>	<u>5,416,174</u>	<u>10,801,000</u>
Others	-	-	<u>293,487</u>	<u>293,487</u>
	₱ <u>(5,384,826)</u>	₱ <u>(5,268,421)</u>	₱ <u>6,209,661</u>	₱ <u>11,594,487</u>
Due to Related Parties				
<i>Entities under common control</i>				
Waterfront Philippines, Inc. (WPI)	<u>(3,042,977)</u>	<u>6,896,540</u>	<u>365,933,148</u>	<u>368,976,125</u>
Acesite (Phils.) Hotel Corporation	-	-	<u>6,239,733</u>	<u>6,239,733</u>
Wellex Mining Corp.	<u>(225,000)</u>	-	-	<u>225,000</u>
Gulf Agency Company Holdings (BV)	-	<u>1,640,269</u>	<u>22,670,814</u>	<u>22,567,469</u>
The Wellex Group, Inc.	<u>22,491,481</u>	-	<u>22,491,481</u>	-
<i>Other related parties</i>				
Stockholders	<u>(181,753,940)</u>	-	-	<u>181,753,940</u>
Others	<u>(4,195,534)</u>	<u>(7,651,661)</u>	<u>(605,492)</u>	<u>(4,801,026)</u>
	₱ <u>(166,725,970)</u>	₱ <u>885,148</u>	₱ <u>416,729,684</u>	₱ <u>574,961,241</u>
Accrued finance charges				
Waterfront Philippines, Inc. (WPI)	₱ <u>7,175,160</u>	₱ <u>137,930</u>	₱ <u>14,209,630</u>	₱ <u>7,034,470</u>

NOTE 16 – CAPITAL STOCK

a. The Group's capital stock as of December 31, 2014 and 2013 consists of the following common shares:

Particulars	2014	2013
Class "A" – ₱1 par value		
Authorized – 720,000,000 shares with par value of ₱1	₱ <u>720,000,000</u>	₱ <u>720,000,000</u>
Issued and outstanding – 183,673,470 shares with par value of ₱1	₱ <u>183,673,470</u>	₱ <u>183,673,470</u>
Number of equity holders	<u>632</u>	<u>676</u>
Class "B" – ₱1 par value		
Authorized – 480,000,000 shares with par value of ₱1	₱ <u>480,000,000</u>	₱ <u>480,000,000</u>
Issued and outstanding – 122,448,979 shares with par value of ₱1	₱ <u>122,448,979</u>	₱ <u>122,448,979</u>
Number of equity holders	<u>403</u>	<u>421</u>

The two classes of common shares are identical in all respects, except that Class "A" shares are restricted to Philippine nationals and the total number of Class "B" shares is limited to two-thirds of the total outstanding Class "A" shares.

b. On July 25, 2003, the Parent Company's stockholders approved the increase in authorized capital stock from ₱1.2 billion consisting of 1.2 billion shares to ₱5 billion consisting of 5 billion shares, both with par value of ₱1 per share. The increase did not push through because of dispute in the acquisition of the Petrochemical Project, which was finally settled in 2013 as discussed in Note 2. After final settlement of the dispute, the Parent

Company's management has decided to pursue the said increase in authorized capital stock of the Parent Company.

NOTE 17 – SALE OF SERVICES

For the year ended December 31, 2014 and 2013, the account comprise of sale of services amounting to ₱127,689,577 and ₱123,507,591, respectively.

NOTE 18– COST OF SERVICES

Details of this account are shown below.

Particulars	2014	2013
Personnel costs (Note 22)	₱ 35,659,774	₱ 47,541,272
Transportation and travel	26,966,919	18,598,302
Rent and utilities (Note 23)	12,073,142	17,743,639
Outside services	9,143,490	6,111,552
Communication and office supplies	1,529,346	1,987,168
Security services	1,383,389	705,030
Depreciation and amortization (Note 11)	681,400	530,749
Repairs and maintenance	188,287	82,111
Others	14,479,788	10,111,576
Total	₱ 102,105,535	₱ 103,411,399

NOTE 19 – EXPENSES

Details of this account are shown below.

Particulars	2014	2013
Personnel costs (Note 22)	₱ 8,778,872	₱ 7,846,973
Entertainment	4,911,075	3,467,271
Professional fees	2,319,430	2,531,495
Taxes and licenses	1,251,432	789,464
Rent and utilities (Note 23)	1,035,060	1,199,467
Communication and supplies	726,029	745,487
Transportation and travel	659,475	662,406
Depreciation and amortization (Note 11)	511,594	558,216
Provision for probable losses (Notes 7 and 9)	443,358	1,739,762
Amortization of intangible assets (Note 12)	150,000	1,412,513
Others (Note 15)	5,237,702	2,489,389
Total	₱ 26,024,027	₱ 23,442,443

NOTE 20 – FINANCE INCOME (COST), Net

Details of this account are shown below.

Particulars	2014	2013
Interest income	₱ 34,799	₱ 86,243
Interest expense	(7,207,800)	(48,960)
Total	₱ (7,173,001)	₱ 37,283

NOTE 21 – INCOME TAXES

a. The components of the Group's provision for (benefit from) income tax are as follows:

Particulars	2014	2013
RCIT	₱ 2,962,218	₱ 2,984,556
Final tax	-	757
Current tax expense	2,962,218	2,985,313
Deferred tax expense (benefit)	(163,664)	(2,186,439)
Aggregate tax expense	₱ 2,798,555	₱ 798,874

b. The reconciliation of the provision for (benefit from) income tax loss computed at the statutory tax rate with the provision for (benefit from) income tax shown in the consolidated statements of comprehensive income is as follows:

Particulars	2014	2013
Provision for (benefit from) income tax loss at statutory tax rate	₱ 2,803,095	₱ (952,027)
Tax effects of:		
Expired NOLCO applicable to:		
Parent Company and its non-operating subsidiaries	-	1,172,624
Nondeductible interest and other expenses	4,786	867,825
Change in unrecognized deferred tax assets		(264,811)
Interest and dividends	(9,326)	(24,737)
	₱ 2,798,555	₱ 798,874

c. The components of MCLSI's net deferred tax assets are the tax effects of the following:

Particulars	2014	2013
Deferred tax assets:		
Allowance for probable losses	₱ 2,870,201	₱ 2,737,193
Accrued retirement benefits costs	1,380,540	1,380,540
Unrealized foreign exchange loss	523,084	492,081
	4,773,825	4,609,814
Deferred tax liability	347	
Net deferred tax assets	₱ 4,773,478	₱ 4,609,814

d. Deferred tax assets of the Parent Company and its non-operating subsidiaries amounting to ₱50,427,550 and ₱48,564,052 as of December 31, 2014 and 2013, respectively, pertaining to the items shown below, have not been recognized as management believes that the Parent Company and its non-operating subsidiaries may not have sufficient taxable profits or tax liabilities against which these deferred tax assets may be utilized.

Particulars	2014	2013
Allowance for probable losses	149,547,803	152,462,352
NOLCO	17,574,347	8,448,136
Accrued retirement benefits costs	969,685	969,685
Total	168,091,835	161,880,173

The NOLCO can be claimed as deduction from regular taxable income as follows:

<u>Year Incurred</u>	<u>Year Expiring</u>	<u>2014</u>	<u>2013</u>
2010	2013	₱ -	₱ 3,908,748
2011	2014	-	3,710,548
2012	2015	1,790,609	1,790,609
2013	2016	2,946,979	2,946,979
2014	2017	16,547,307	-
Subtotal		21,284,895	12,356,884
Expired NOLCO		(3,710,548)	(3,908,748)
		₱ 17,574,347	₱ 8,448,136

NOTE 22 – RETIREMENT BENEFITS COSTS

The Parent Company has an unfunded, non-contributory defined benefit retirement plan providing retirement benefits to its regular employee. MCLSI has a funded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of MCLSI's fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date.

The following tables summarize the components of net retirement expense recognized in the consolidated statement of comprehensive income and the funding status and amounts recognized in the consolidated balance sheet.

The components of retirement expense which were charged to operations are as follows:

<u>Particulars</u>	<u>2014</u>	<u>2013</u>
Current service cost	₱ -	₱ 4,762,327
Interest cost	-	360,048
Net actuarial loss recognized	-	-
Expected return on plan assets	-	-
Total retirement expense	₱ -	₱ 5,122,375

The details of the retirement obligation recognized in the consolidated balance sheets are as follows:

<u>Particulars</u>	<u>2014</u>	<u>2013</u>
Present value of benefit obligation	₱ 5,652,947	₱ 5,652,947
Fair value of plan assets	(81,458)	(81,458)
Liability recognized in the balance sheet	₱ 5,571,489	₱ 5,571,489

The changes in present value of retirement obligation are as follows:

<u>Particulars</u>	<u>2014</u>	<u>2013</u>
Present value of obligation at beginning of year	₱ 5,652,947	₱ 6,202,300
Current service cost	-	4,762,327
Interest cost on benefit obligation	-	365,444
Benefits paid	-	-
Actuarial gain loss on benefit obligation	-	(5,677,124)
Present value of obligation at end of year	₱ 5,652,947	₱ 5,652,947

The changes in the fair value of plan assets and actual return on plan assets are as follows:

Particulars	2014	2013
Fair value of plan assets at beginning of year	₱ 81,458	₱ 78,436
Expected return on plan assets	-	5,396
Actuarial loss on plan assets	-	(2,374)
Benefits paid	-	-
Fair value of plan assets at end of year	₱ 81,458	₱ 81,458
Actual return on plan assets	₱ -	₱ 3,022

Movements in the net liability recognized in the current period are as follows:

Particulars	2014	2013
Liability recognized at beginning of the year	₱ -	₱ 6,123,864
Retirement expense	-	5,122,375
Other comprehensive income	-	(5,674,750)
Benefits paid	-	-
Total	₱ -	₱ 5,571,489

The movement in the recognized actuarial gain in the financial positions over the year is as follows:

Particulars	2014	2013
Retirement benefits costs – OCI, beginning	₱ 6,574,237	₱ 899,487
Actuarial gain on defined benefit obligations	-	5,677,124
Actuarial loss on plan assets	-	(2,374)
Loss recognized	-	-
Retirement benefits costs – OCI, ending	₱ 6,574,237	₱ 6,574,237

The major categories of plan assets are as follows:

Particulars	2014	2013
Cash and cash equivalents	₱ 2,076	₱ 2,076
Investment in Unit Investment Trust Funds	79,382	79,382
Total	₱ 81,458	₱ 81,458

Relevant amounts for December 31, 2014 and 2013 are as follows:

Particulars	2014	2013
Present value of obligation	₱ 5,652,947	₱ 5,652,947
Fair value of plan assets	81,458	81,458
Deficit	5,734,405	5,571,489
Experience adjustment gain (loss) on:		
Benefit obligation	-	5,677,124
Plan assets	-	(2,374)

The assumptions used to determine retirement benefits costs for the years ended December 31 are as follows:

Particulars	2014	2013
Discount rate	-	5.78%
Salary increase rate	-	5%
Expected rate of return on plan assets	-	5%

The expected rate of return on plan assets assumed at a range of 5% to 6% was based on a reputable fund trustee's indicative yield rate for a risk portfolio similar to that of the fund with consideration of the funds' past performance.

A quantitative sensitivity analysis for significant assumption as at December 31, 2014 is as shown below:

Impact on Net Defined Benefit Obligation	Sensitivity Level			
	2% Increase		2% Decrease	
	In %	Amount	In %	Amount
Discount rate	6.78%	3,882,414	6.00%	5,664,232
Future salary increases	4.78%	5,693,261	4.00%	3,888,239

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The discount rate and the future salary increase rate assumed was 5.78% and 5%, respectively.

The average duration of the defined plan obligation at the end of the reporting period is 21.12 years.

NOTE 23 – LEASE AGREEMENT

Operating leases pertains to the leases entered into by MCLSI of a warehouse, which is renewable upon agreement of parties, and office space, both for a period of two years. The lease contract for the warehouse provides for prepaid rent and rental security deposits equivalent to one month rental amounting to ₱354,640.

At reporting date, MCLSI has outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Particulars	2014	2013
Within one year	₱ 3,562,020	₱ 5,556,000
After one year but not more than five years	998,340	63,000
Total	₱ 4,560,360	₱ 5,619,000

Rentals incurred during the year on the above leases are recognized as follows:

Particulars	2014	2013
Cost of services	₱ 12,073,142	₱ 17,469,092
Operating expense	781,661	761,929
Total	₱ 12,854,803	₱ 18,231,021

During 2013, MCLSI entered into a new lease contract for its office space for a period of one (1) year commencing on February 1, 2014 and ending on January 31, 2015, which is renewable subject to terms and conditions as may be mutually agreed upon by the parties. The contract also provided for deposit equivalent to two months rental amounting to ₱134,820 representing one month security deposit and one month advance rental. The advance rental shall be applied to the first month of the lease term. The deposit shall be non-interest bearing and shall apply to whatever valid claims in case of the pre-termination of the lease term.

NOTE 24 – LOGISTICS AGREEMENT

MCLSI has agreements with principals to provide logistics operations services, specifically warehousing and managing delivery of the principals' products to their key accounts and sub-distributors nationwide. Under the terms of these agreements, the principals shall pay MCLSI the agreed monthly fees plus reimbursement of certain warehouse expenses.

NOTE 25 – BASIC LOSS PER SHARE

The following table presents the information necessary to compute the basic loss per share attributable to equity holders of the Parent Company:

Particulars	2014	2013
Net loss attributable to equity holders of the Parent Company	₱ 13,204,392	₱ 4,892,689
Weighted average number of common shares	<u>306,122,449</u>	<u>306,122,449</u>
Basic Loss Per Share	₱ <u>0.04</u>	₱ <u>0.02</u>

NOTE 26 – FINANCIAL ASSETS AND LIABILITIES

The following table summarizes the carrying and fair values of the Group's financial assets and liabilities as of December 31, 2014 and 2013:

Particulars	2014		2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash	₱ 22,144,944	₱ 22,144,944	₱ 14,448,429	₱ 14,448,429
Receivables	80,303,539	80,303,539	75,886,415	75,886,415
AFS investments	6,588,768	6,588,768	6,133,013	6,133,013
Refundable deposits	<u>1,400,410</u>	<u>1,400,410</u>	<u>713,285</u>	<u>713,285</u>
Total	₱ <u>110,437,661</u>	₱ <u>110,437,661</u>	₱ <u>97,181,142</u>	₱ <u>97,181,142</u>
Financial Liabilities				
Accounts payable and accrued expenses	₱ 32,204,196	₱ 32,204,196	₱ 34,907,183	₱ 34,907,183
Due to related parties	416,729,684	416,729,684	574,961,241	574,961,241
Long-term debt	<u>-</u>	<u>-</u>	<u>179,415</u>	<u>179,415</u>
Total	₱ <u>448,933,880</u>	₱ <u>448,933,880</u>	₱ <u>610,047,839</u>	₱ <u>610,047,839</u>

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Current Financial Assets and Liabilities

Due to the short-term nature of the transactions, the carrying values of cash, receivables, refundable deposits, accounts payable and accrued expenses, due to related parties and current portion of long-term debt approximate their fair values.

AFS Investments

The fair values of publicly traded instruments and similar investments are based on quoted bid prices. Unquoted AFS equity securities are carried at cost, subject to impairment.

Long-term Debt

The carrying value of the noncurrent portion of long-term debt approximates the fair value, which is determined to be the present value of future cash flows using the prevailing market rate as the discount rate.

NOTE 27 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist of cash, AFS investments, due from (to) related parties and long-term debt. The main purpose of these financial instruments is to finance the Group's operations. The Group's other financial assets and liabilities include receivables, refundable deposits and accounts payable and accrued expenses, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The BOD reviews and approves the policies for managing these risks which are summarized below:

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt. As of December 31, 2014 and 2013, the Group has minimal exposure to interest rate risk since the interest rates are fixed up to the date of maturity.

Credit Risk

It is the Group's policy to require all concerned related and/or third party to comply and undergo a credit verification process with emphasis on their capacity, character and willingness to pay. In addition, receivables are closely monitored so that exposure to bad debts is minimized. The Group deals only with legitimate parties. As to other financial assets of the Group like cash, the credit risk arises only in case of default of the counterparty and the maximum exposure is limited to the carrying amount of the instruments.

Financial information on the Company's maximum exposure to credit risk as of December 31, 2014 and 2013, without considering the effects of collaterals and other risk mitigation techniques are presented below.

Particulars	2014	2013
Cash	₱ 22,144,944	₱ 14,448,429
Receivables	80,303,539	75,886,415
Refundable deposits	1,400,410	713,285
Total	₱ 103,848,893	₱ 91,048,129

The table below presents the credit quality of financial assets and an analysis of past due accounts.

2014

Particulars	High Grade	Medium Grade	Past due but not impaired	Total
Cash	₱ 22,144,944	₱ -	₱ -	₱ 22,144,944
Receivables	41,535,701	-	38,767,838	80,303,539
Refundable deposits	1,400,410	-	-	1,400,410
Total	₱ 65,081,055	₱ -	₱ 38,767,838	₱ 103,848,893

2013

Particulars	High Grade	Medium Grade	Past due but not impaired	Total
Cash	₱ 14,448,429	₱ -	₱ -	₱ 14,448,429
Receivables	19,488,604	12,206,963	44,133,183	75,828,750
Refundable deposits	713,285	-	-	713,285
Total	₱ 34,650,318	₱ 12,206,963	₱ 44,133,183	₱ 90,990,464

The credit quality of receivables is managed by the Group using internal credit quality ratings. High and medium grade accounts consist of receivables from debtors with good financial standing and with relatively low defaults. The Group constantly monitors the receivables from these customers in order to identify any adverse changes in credit quality. The allowance for doubtful accounts is provided for those receivables that have been identified as individually impaired.

Liquidity Risk

The Group's objective is to maintain a balance between flexibility and continuity of funding. However, because of the default on the payment of interest and principal amortizations on existing debts, the Group's access to funds has been limited to those of its related parties in the form of advances. Current working capital requirements will continue to be sourced from short-term loans and advances from related parties.

Particulars	2014			
	On Demand	Within 1 Year	More than 1 Year	Total
Cash	₱ 22,144,944	₱ -	₱ -	₱ 22,144,944
Receivables	41,535,701	-	38,767,838	80,303,539
Refundable deposits	-	1,400,410	-	1,400,410
Subtotal	63,680,645	1,400,410	38,767,838	103,848,893
AFS investments	-	-	6,558,768	6,558,768
Total	₱ 63,680,645	₱ 1,400,410	₱ 45,326,606	₱ 110,407,661
Due to related parties	-	-	416,729,684	416,729,684
Accounts payable and accrued expenses	-	32,204,196	386,699,890	418,904,085
Total	₱ -	₱ 32,204,196	₱ 803,429,574	₱ 835,633,769

Particulars	2013			
	On Demand	Within 1 Year	More than 1 Year	Total
Cash	₱ 14,448,429	₱ -	₱ -	₱ 14,448,429
Receivables	-	31,695,567	44,133,183	75,828,750
Refundable deposits	-	713,285	-	713,285
Subtotal	14,448,429	32,408,852	44,133,183	90,990,464
AFS investments	-	-	6,133,013	6,133,013
Total	₱ 14,448,429	₱ 32,408,852	₱ 50,266,196	₱ 97,123,477
Due to related parties	-	-	574,961,241	574,961,241
Accounts payable and accrued expenses	-	39,097,798	364,518,979	403,616,777
Loans payable	-	179,415	-	179,415
Total	₱ -	₱ 39,277,213	₱ 939,480,220	₱ 978,757,433

NOTE 28 – CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the ability of the entities in the Group to continue as a going concern and maximize shareholder value by maintaining the appropriate capital structure that supports the business objective of the entities. The BOD of the Group's entities has overall responsibility for monitoring capital in proportion to risk. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions, by issuing new shares and making adjustments on payments to related parties, existing debts and dividends to shareholders.

The Group is not subject to externally-imposed capital requirements.

The Group's interest bearing loans from third parties amounted to ₱0 and ₱179,415 as of December 31, 2014 and 2013, respectively, while the equity attributable to equity holders of the Parent Company less any reserves is shown in the table below.

Particulars	2014	2013
Capital stock	₱ 306,122,449	₱ 306,122,449
Additional paid-in-capital	3,571,921	3,571,921
Deficit	<u>(236,473,666)</u>	<u>(220,699,716)</u>
Total	₱ <u>73,220,704</u>	₱ <u>88,994,654</u>

NOTE 29 – OTHER MATTERS

a. On July 5, 2002, the Parent Company received a decision from the Court of Tax Appeals (CTA) denying the Parent Company's Petition for Review and ordering the payment of ₱83.8 million for withholding tax assessments for the taxable years 1989 to 1991. The Parent Company filed a Motion for Reconsideration on July 31, 2002 but this was subsequently denied by the CTA. A Petition for Review was filed with the CTA on November 8, 2002, which was also denied by the CTA. The Parent Company then appealed the decision of the CTA to the Court of Appeals (CA), which likewise denied the appeal and upheld the assessment against the Parent Company. The Parent Company, through its legal counsel, filed a Motion for Reconsideration with the CA in December 2003.

On July 9, 2004, the Parent Company received the CA resolution denying the Motion for Reconsideration. On July 22, 2004, the Parent Company filed with the CA a Motion for Extension of time to file an appeal to the Supreme Court (SC). On August 20, 2004, the Parent Company filed said appeal. On October 20, 2004, the Parent Company received the resolution of the SC denying its Petition for Review for lack of reversible error. The Parent Company filed a Motion for Reconsideration. On January 10, 2005, the SC issued an Order stating that it found no ground to sustain the Parent Company's appeal and dismissed the Parent Company's petition with finality.

On April 26, 2006, the Parent Company filed a Petition for Review before the CTA en banc. On March 7, 2007, the CTA en banc dismissed the Petition for lack of merit. The CTA en banc affirmed the CTA's decision granting the Motion for Issuance of Writ of Execution filed by the Commissioner of Internal Revenue. As of October 10, 2014, the Parent Company has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable. Management believes, however, that the ultimate outcome of the case will not have a material effect on the consolidated financial statements.

b. On September 14, 2005, the Parent Company and a third party filed a civil action against a local bank for the imminent extra-judicial foreclosure of the properties of the third party which are used as real estate mortgage for additional loans from the local bank amounting to ₱42 million, which the Parent Company maintains has never been received.

On October 6, 2005, the Regional Trial Court (RTC) of Tagaytay City issued and granted the Writ of Preliminary Injunction (first injunction). As of October 10, 2014, the case is still pending with the same court. Trial on the merits of the case has not been started as the Parent Company, through its counsel, filed an Amended Complaint with an Urgent Application for the Issuance of Writ of Preliminary Injunction after the first injunction was nullified by the Court of Appeals and affirmed by the SC. The Parent Company and its legal counsel are positive that the court will sustain their position.

c. There are also other pending legal cases against the Parent Company and certain subsidiaries. Based on the facts of these cases, management of the Parent Company and certain subsidiaries believes that their positions have legal merits and the resolution thereof will not materially affect the Company's financial position and result of operations.

**Valdes Abad &
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certified public accountants

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Associate firm of
gmr
international

**Audit Report on Additional Components of the
Consolidated Financial Statements**

To the Board of Directors and Stockholders of
METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
35TH Flr. One Corporate Center, Doña Julia Vargas cor. Meralco Aves., Ortigas Center,
Pasig City

We have audited the accompanying consolidated financial statements of **Metro Alliance Holdings & Equities Corp. and Subsidiaries** as at and for the year ended December 31, 2014, on which we have rendered the attached report dated April 28, 2015. The supplementary information shown in Schedules I-V, as additional components required by Rule 68, Part I, Section 4 of the Securities Regulation Code, is presented for purposes of filing with the Securities and Exchange Commission and is not required part of the basic financial statements. Such information is the responsibility of management and has been subjected to auditing procedures applied in the audits of basic financial statements. In our opinion, the information has been prepared in accordance with Rule 68 of the Securities Regulation Code.

VALDES ABAD & ASSOCIATES

For the firm:


FELICIDAD A. ABAD

Partner

CPA Certificate No. 0025184

TIN No. 123-048-248-000

PTR No. 4755557- 01/06/2015

PRC – BOA Reg. No. 0314

Issued on March 6, 2013

Valid until December 31, 2015

SEC Accreditation No. 1356-A

Issued on September 19, 2013

Valid until September 18, 2016

BIR Accreditation No. 08-002126-001-2014

Issued on October 29, 2014

Valid until October 29, 2017

Makati City, Philippines
April 28, 2015

METRO ALLIANCE HOLDINGS AND EQUITIES CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES

I	Supplemental schedules required by Annex 68-E	
A	Financial Assets	Attached
	Amounts receivables from directors officers, employees, related parties and principal stockholders (other than related parties)	Attached
B	Amounts receivables and payable from/to related parties which are eliminated during consolidation process of financial statements	Attached
C	Intangible assets - other asset	Attached
D	Long-term debt	Attached
E	Indebtedness to related parties (Long-term loans from related parties)	Not applicable
F	Guarantees of securities of other issuers	Not applicable
G	Capital Stock	Attached
H		
II	Schedule of all the effective standards and interpretations	Attached
II	Reconciliation of retained earnings available for dividend declaration	Not applicable
IV	Map of the relationships of the Company within the Group	Attached
V	Schedule of Financial Ratios	Attached

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

**I. SUPPLEMENTAL SCHEDULES REQUIRED BY ANNEX 68-E
AS AT DECEMBER 31, 2014**

SCHEDULE A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and rates	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
Cash	-	₱ 22,144,944	₱ 22,144,944	₱ 34,799
AFS Financial Assets				
Waterfront Philippines, Inc	-	6,471,473	6,471,473	-
Others	-	87,295	87,295	-
Total		₱ 6,558,768	₱ 6,558,768	₱ -

**SCHEDULE B. Amounts of Receivable from Directors, Officers, Employees Related Parties
and Principal Stockholders (Other Than Related Parties)**

Name and designation of debtor	Balance at beginning of period	Amounts (collected) /transferred	Amounts written- off	Current	Non- current	Balance at end of period
Polymax Worldwide Limited (special purpose entity)	₱ 960,289,978	₱ (171,627,717)	-	₱ 788,662,261	₱ -	₱ 788,662,261
The Wellex Group, Inc	10,801,000	(5,384,826)	-	5,416,174	-	5,416,174
Others	293,487	-	-	-	293,487	293,487
Total	₱ 971,384,465	₱ (177,012,543)	-	₱ 794,078,435	₱ 293,487	₱ 794,371,922

SCHEDULE C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at end of period
Due to related party Metro Combined Logistics Solutions, Inc	₱ 500,000	-	-	-			₱ 500,000

SCHEDULE D. Intangible Assets – Other Assets

Description	Balance at beginning of period	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Balance at end of period
Caerus accounting system	₱ -	₱ 900,000	₱ 150,000	-	-	₱ 750,000

SCHEDULE E. Long-term Debt

Title of issue	Amount authorized by indenture	Amount shown under caption “Current portion of long term debt	Amount shown under caption “Long term debt” in related balance sheet
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Not Applicable

SCHEDULE F. Indebtedness to Related Parties (Long Term Loans from Related Parties)

Name of related party	Balance at beginning of period	Amount shown under caption “Current portion of long term debt”
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Not Applicable

SCHEDULE G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
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Not Applicable

SCHEDULE H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common – Class A	720,000,000	183,673,470	-	156,590,387	125,115	26,957,968
Common – Class B	480,000,000	122,448,979	-	85,139,552	22,001,000	15,308,427
Total	1,200,000,000	306,122,449	-	241,729,939	22,126,115	42,266,395

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

II .SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS AS AT DECEMBER 31, 2014

The following table summarizes the effective standards and interpretations as at December 31, 2014:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards		✓		
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 10	Consolidated Financial Statements		✓	
PFRS 11	Joint Arrangements		✓	
PFRS 12	Disclosure of Interests in Other Entities		✓	
PFRS 13	Fair Value Measurement		✓	
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
(Revised)	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits		✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements		✓	
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	Instruments			
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

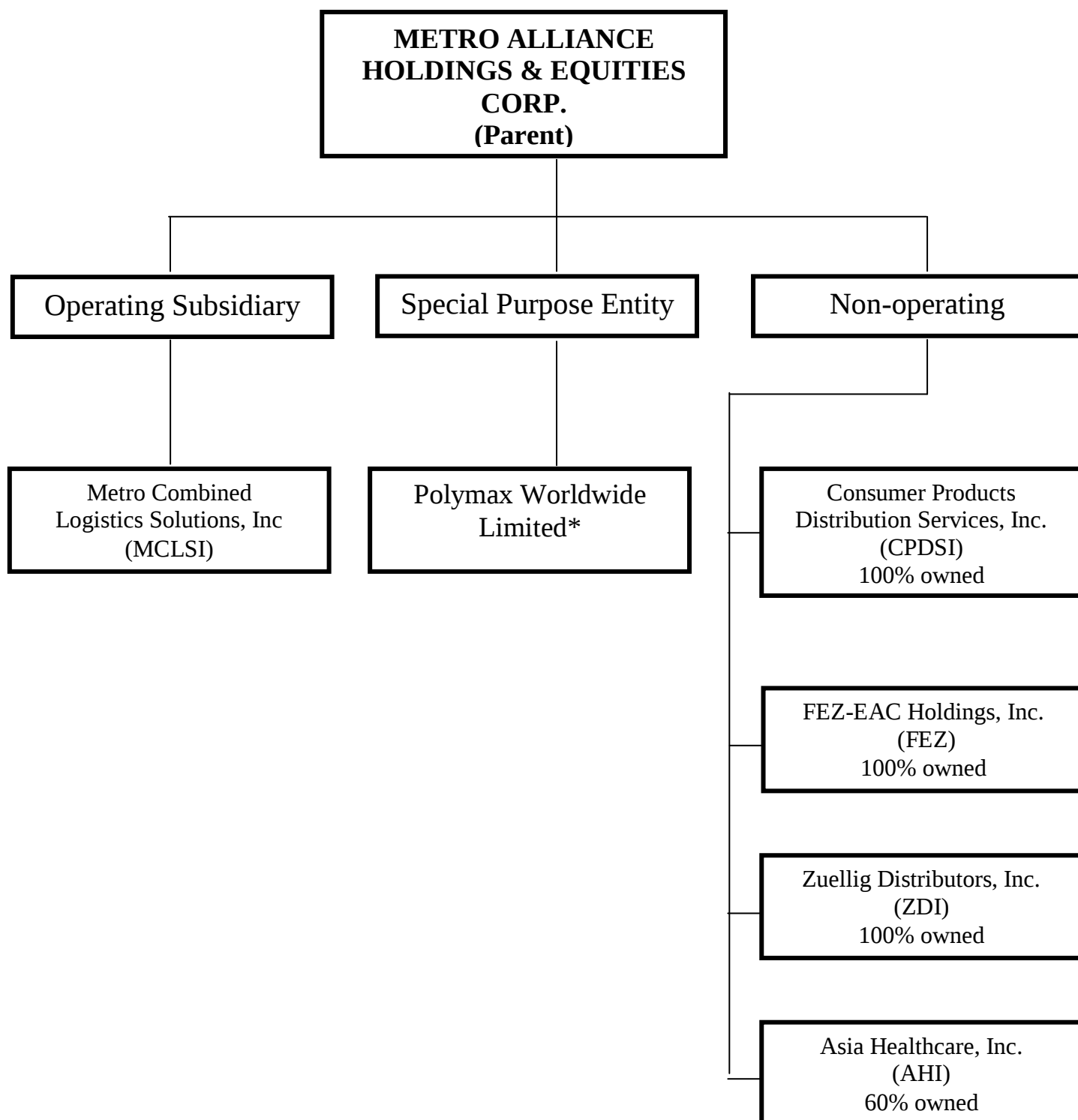
**III. RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2014**

Not applicable*

*The Parent Company's Retained Earnings as of December 31, 2014 did not exceed its 100% of paid-in capital stock since it is in deficit position

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

**IV. MAP OF THE RELATIONSHIP OF THE COMPANY WITHIN THE GROUP FOR THE YEAR
ENDED DECEMBER 31, 2014**



*Polymax Worldwide Limited was excluded from the consolidated financial statements since 2007 because the entity is no longer operating as a going concern and is in the process of liquidation.

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES**V. SCHEDULE OF FINANCIAL RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Financial Ratios</u>	<u>Description</u>	<u>2014</u>	<u>2013</u>
Current / liquidity ratio	Current assets over current liabilities	1.09	1.09
Asset to equity ratio	Total asset over total equity	10.58	10.85
Net debt to equity ratio	Interest - bearing loans and borrowings less cash over total equity	(0.25)	(0.14)
Debt-to-equity ratio	Short term loans over total equity	-	-
Solvency ratio	After tax net profit plus depreciation over total liabilities	(0.01)	(0.00)
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	0.001	(63.82)
Gross profit margin	Gross profit over net revenues	20%	16%
Net income margin	Net income over net revenues	-8%	-3%

**METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND
SUBSIDIARIES**

**INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED
JUNE 30, 2015 AND 2014**

(UNAUDITED)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period endedJune 30, 2015
2. Commission identification number...296
3. BIR Tax Identification No.....000-130-411-000.
4. Metro Alliance Holdings & Equities Corp.
Exact name of issuer as specified in its charter
5. Philippines
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: _____ SEC use Only)
7. 35th Flr. One Corporate Center, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig
City 1605 Postal Code
Address of issuer's principal office
8. (632) 848-0848
Issuer's telephone number, including area code
9. Not applicable
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Class A	183,673,470
Common Class B	122,448,979
Outstanding Debt	P 854,292,292
11. Are any or all of the securities listed on a Stock Exchange?
 Yes [☒] No [☐]
 If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
Philippines Stock Exchange Common Class A and Class B



12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [☐] No [☒]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [☒] No [☐]

13. Aggregate market value of the voting stock held by non-affiliates : **Php283,997,334**

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached Consolidated Balance Sheets, Income Statements, Changes in Stockholders' Equity, Cash Flows and Notes to Interim Consolidated Financial Statements (Annex A.1 to 5).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

☐ Unaudited Income Statement

Income Statement	Amounts in Php			
	Apr. – Jun. 2015	Apr. – Jun. 2014	Jan. – Jun. 2015	Jan – Jun. 2014
Sales and services	35,089,405	26,937,963	63,074,907	53,875,926
Cost of sales and services	(17,830,616)	(9,057,372)	(24,865,756)	(18,114,744)
Gross profit	17,258,789	17,880,591	38,209,151	35,761,182
Expenses	(17,554,516)	(18,265,284)	(36,197,221)	(36,530,568)
Other income (charges)	5,267	(340,452)	5,492	(680,902)
Net Income (Loss) before tax	(290,460)	(725,145)	2,017,422	(1,450,290)
Income tax expense – current	1,011,105	–	2,167,879	–
Net Income (Loss) after tax	(1,301,565)	(725,145)	(150,457)	(1,450,290)
Net income (loss) attributable to:				
Equity holders of the parent company	(2,441,515)	(904,263)	(2,612,623)	(1,821,534)
Minority interests	1,139,950	179,118	2,462,166	371,244
	(1,301,565)	(725,145)	(150,457)	(1,450,290)
Earnings (Loss) Per Share attributable to the equity holders of the Parent Company	(P 0.0080)	(P 0.0030)	(P 0.0085)	(P 0.0060)

☐ Unaudited Balance Sheet

Balance Sheet	Amounts in Php		
	Jun. 30, 2015	Jun. 30, 2014	Dec. 31, 2014
Current assets	922,669,866	1,075,135,347	911,894,489
Noncurrent assets	18,813,453	12,158,132	17,134,908
Total Assets	941,483,319	1,087,293,479	929,029,397
Current liabilities	848,720,456	980,818,481	835,633,769
Noncurrent liabilities	5,571,836	5,727,778	5,571,836
Total Liabilities	854,292,292	986,546,259	841,205,605
Stockholder's Equity	87,191,027	100,747,220	87,823,792
Total Liabilities and Stockholder's Equity	941,483,319	1,087,293,479	929,029,397

The following companies are included in Metro Alliance consolidated financial statement: MCLSI, CPDSI, FEZ-EAC, ZDI and AHI. The Group's last audited consolidated financial statements was for the year ended December 31, 2006. Due to uncertainties surrounding the acquisition transactions of the Bataan petrochemical plant, the scope of the 2007-2013 audits was completed by the independent auditors and the reports was approved by the Board of Directors on October 10, 2014.

The Group, having resolved its disputes with the foreign parties involved in the Bataan petrochemical project, will commence to explore business opportunities. As of report date, biggest contributor to the Group's revenue is its logistic arm, MCLSI when it steadily growing for the past several years after.

The Group will reorganize its operations; evaluate its remaining assets; review all pending legal cases; and settle and resolve its outstanding issues with other regulatory government bodies. The Group assures the public that it will focus on traditionally stable industries or sunrise sectors in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

c) Key Performance Indicators

Metro Alliance and its majority-owned subsidiaries key performance indicators follow:

Metro Alliance

Metro Alliance's key performance indicators include the following:

1. Net income
2. Earnings per share – net income attributable to each share of common stock
(net income / weighted number of shares outstanding)
Return on average equity – ability to generate returns on investment of stockholders.
(net income / average equity)
3. Debt to total asset ratio – the proportion to total assets financed by creditors.
(total debt / total assets)
4. Debt to Equity ratio – an indicator of which group has the greater representation in the assets of the company
(total debt / equity)

The financial ratios of Metro Alliance are not stable due to its significant investment on the Petrochemical Project.

Metro Alliance (parent company) financial statements registered unaudited net loss of (₱3,464,159) for the second quarter of 2015 as compared to the same quarter of 2014 with net loss amounting to (₱710,957) million or an increase of ₱2,753,202 or 387% due to the payment of fines and penalties to Philippine Stock Exchange for the late submission of reports as of the 2nd quarter of 2015 amounting to ₱3.4 million. The Company is currently processing its petition for lifting of trading suspension. The Company's trading was suspended last May 17, 2007 due to the company's failure to submit its structured reports (annual and quarterly reports) since 2007. The Company's inability to file such reports was due to the legal issues involving the acquisition of the petrochemical plant and the surrounding circumstances. As of this report, decision for such petition is still pending.

The increase in net loss in 2015 resulted to the increase in loss per share and loss on average equity.

Comparative analysis of Metro Alliance's key performance indicators follows:

Performance indicator	June 30 2015	Dec 31 2014	June 30 2014
Net income (loss) – (In Php)	(3,464,159)	(13,833,115)	(710,957)
Income (loss) per share (In Php)	(0.011)	(0.045)	(0.002)
Income (loss) on average equity (In Php)	(0.011)	(0.045)	(0.002)
Debt to total assets	0.727	0.725	0.759
Debt to equity	2.658	2.634	3.157

MCLSI Logistics, Inc.

MCLSI's key performance indicators include the following:

1. Profitability
 - a. Gross profit margin – measures the profitability of revenues (services) in relation to the cost of services
(gross profit / revenues)
 - b. Net profit margin – ability to generate surplus for stockholders.
(net income / sales)
 - c. Return on assets – ability to generate returns from assets.
(net income / assets)
 - d. Return on equity – ability to generate returns on investment of stockholders.
(net income / stockholders equity)

2. Liquidity ratios
 - a. Current ratio – capacity to meet current obligations out of its liquid assets
(current assets / current liabilities)
 - b. Receivables turnover and days' sales in receivables – measures the ability to collect receivables
(net credit sales / average trade receivables)
(365 days / receivables turnover)

The decrease in MCLSI's gross profit resulted mainly from the termination of some contracts. With the decrease in operating income, net profit margin, return on assets and return on equity decreased. Current ratio decreased due to the increase in accruals and other payables. In addition, turnover of receivables resulted to a slower collections compared to last year.

Comparative analysis of MCLSI's key performance indicators follows:

Performance indicator	June 30 2015	Dec 31 2014	June 30 2014
Profitability			
a. Gross profit margin	0.606	0.200	0.664
b. Net profit margin	0.080	(0.051)	0.007
c. Return on assets	0.053	(0.079)	0.002
d. Return in equity	0.164	(0.249)	0.009
Liquidity			
a. Current ratio	1.387	1.390	1.313
b. Receivables turnover	1.581	1.653	0.944
c. Days' sales in receivables	231	221	387

Consumer Products Distribution Services, Inc. (CPDSI), FEZ-EAC Holdings, Inc.(FEZ-EAC), Zuellig Distributors, Inc. (ZDI) and Asia Healthcare, Inc. (AHI)

Currently, CPDSI, FEZ-EAC, ZDI and AHI have no performance indicators because these are non-operating companies.

b) Changes in Operating Results

Net Income and Earnings (Loss) Per Share

The Group registered a consolidated net loss of ₱1.3 million for the 2nd quarter of 2015 as against net loss of ₱0.7 million for the 2nd quarter of 2014 or an increase in net loss of ₱0.6 million or 46%. Earnings (loss) per share are (₱0.0080) for the 2nd quarter of 2015 and (₱0.0030) for the 2nd quarter of 2014. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group. The increase in net loss is due to net effect of (a) increase in service income from MCLSI's lease and logistics contracts; (b) decrease in operating expenses which mainly attributable to decrease in general and administrative expenses and depreciation expense. Parent Company paid its outstanding liabilities as of the 2nd quarter of 2015 with the PSE amounting to ₱3.4 million as fines and penalties for the late submission of reports from 2007 to 2014.

Sales and Services

The Group registered gross service revenue of ₱35.1 million and ₱26.9 million for the quarters ended June 30, 2015 and 2014. The increase in revenue of ₱8.2 million or 23% for the 2nd quarter of 2015 is due to entry of new principals on MCLSI's lease contracts and increase in its logistics services.

Cost of Sales and Services

Total cost of sales and services for the quarters ended June 30, 2015 and 2014 amounted to ₱17.8 million and ₱9.1 million, respectively. The increase of ₱8.7 million or 49% is parallel to increase in sales and services of MCLSI for the 2nd quarter of 2015. Ratio of cost of sales to sales as of June 30, 2015 and 2014 are 51% and 34% respectively. Increase on the cost of sales for the 2nd quarter of 2015 compared to 2014 was also attributable to higher cost of delivery of products and services such

as fluctuations in oil prices used by delivery trucks and electricity rates, security services and maintenance cost of warehouse facilities.

Operating Expenses

Total operating expenses of the Group for the 2nd quarter of 2015 amounted to ₱17.5 million as compared to ₱18.3 million for the 2nd quarter of 2014 or a decrease of ₱0.8 million or 4%. The decrease is net effect of increase in personnel cost (₱1.3 million), professional fees (₱0.1 million), decrease in depreciation expense (₱0.4 million) since some of the fixed assets already reached their useful life last year, decrease in general and administrative expenses (₱0.3 million), decrease in rent and utilities (₱0.1 million), increase in taxes and licenses (₱0.2 million) and decrease in other expenses (₱1.3 million).

Other income (expenses)

Other income (charges) for the quarters ended June 30, 2015 and 2014 amounted to (₱5,267) and (₱340,452), respectively or an increase in other charges of ₱335,185 or 98%. The account pertains to net balance from finance cost, interest income, unrealized foreign exchange gain (loss) and dividend income. Other charger for the 2nd quarter of 2014 pertains to unrealized foreign exchange loss on MCLSI's foreign currency denominated transactions.

c) Changes in Financial Conditions

Assets

Cash and cash equivalents for the 2nd quarter of 2015 and 2014 and as of December 31, 2014 amounted to ₱20.2 million, ₱20.6 million and ₱22.1 million, respectively. The decrease by ₱1.9 million or 9% as of 2nd quarter of 2015 is net effect of cash used in operating activities (₱20.9 million), net cash used in investing activities (₱2.4 million) and net cash provided by financing activities (₱21.4). (See also Statement of Cash Flows on page 19 for the detailed composition of each activity).

Receivables amounted to ₱82.6 million as of 2nd quarter of 2015, ₱80.3 million as of December 31, 2014 and ₱68.2 million as of 2nd quarter of 2014 (net of allowance for doubtful accounts of ₱149 million for all periods). Notes and other receivables were fully covered by allowance for doubtful accounts stated above. This pertains to receivables of CPDSI (subsidiary which already ceased its operations) from its old clients which cannot be located anymore.

Trade and other receivables went up by ₱16 million or 58% in 2nd quarter of 2015 as compared to 2nd quarter of 2014 due to increase in sales and services from MCLSI lease and logistic contracts. No additional allowance for doubtful account for the 2nd quarter of 2015 as management believes that these receivables are fully realizable. The increase of ₱2.3 million or 3% in 2nd quarter of 2015 as against December 31, 2014 is due to net effect of decrease in trade receivables (₱1.5 million) and increase in other receivables (₱0.7 million). Other receivables represent non-interest bearing receivables from third party business partners of Polymax that are subject to liquidation and advances to related parties. The Group reviews the carrying amount of receivables at each balance sheet date to reduce the balance to their estimated recoverable amounts.

Prepaid expenses and other current assets amounts to ₱31.2 million, ₱20.8 million and ₱25.8 million as of the June 30, 2015, December 31, 2014 and June 30, 2014, respectively (net of allowance for probable losses of ₱14 million for all periods). The increase by ₱5.4 million or 21% in 2nd quarter of 2015 as against same quarter of 2014 is net effect of increase in creditable withholding taxes (₱8.9 million), decrease in input taxes (₱1 million), decrease in refundable deposits (₱.7 million) and decrease in other prepayments (₱3.3 million).

The increase of ₱10.4 or 50% million in 2nd quarter of 2015 as against December 31, 2014 is due to net effect of increase in creditable withholding taxes (₱9.9 million) and increase in input tax (₱0.5 million). The Group reviews the carrying amount at each balance sheet to reduce the balance to their estimated recoverable amounts.

Asset held for sale amounting to ₱788.7 million and ₱960.4 million as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively, (which constitute 83% and 89% respectively of the Group's total assets as said periods) represents advances to Polymax, the Group's special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPC

Alliance Corporation (NPCA). The decrease of ₱171.7 million in 2nd quarter of 2015 as against 2nd quarter of 2014, pertains to collections from Polymax which was directly paid to the creditor of MAHEC.

On March 18, 2006 and September 20, 2006, 40% and 20%, respectively, of Polymax's interest in NPCA was sold. Thereafter management decided to discontinue operations and cease operating as a going concern. The remaining 40% interest which is for sale is valued at P900 million, which is the estimated recoverable amount from the sale of investment.

The realization of the Company's advances to Polymax and the settlement of Polymax's past due liabilities for which the Company is jointly and severally liable, depends on whether sufficient cash flows can be generated from Polymax's 40% interest in NPCA.

In this regard and to ensure the recoverability of the Parent Company's advances to Polymax and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, the Parent Company's major stockholders issued a letter of comfort in favor of the Parent Company on September 30, 2014.

During 2014, 20% of the 40% remaining interest of Polymax in NPCA was sold. To reiterate assurance of the collectability of the Parent Company's advances to Polymax, a comfort letter dated April 10, 2015 was issued by the major stockholders of the Parent Company.

Available-for-sale-investments amounted to ₱6.5 million and ₱5.4 million in June 30, 2015, December 31, 2014 and June 30, 2014. This account includes shares of stocks owned in publicly listed companies. The ₱1.1 million increased in 2nd quarter as compared to same quarter of 2014 pertains to decline in the value of shares of stock in the market. The fair value of these shares has been determined directly by reference to published prices in the active market.

Property, plant and equipment amounted to ₱5.4 million, ₱3.1 million and ₱2.1 million in June 30, 2015, December 31, 2014 and June 30, 2014, respectively. Net increase in property, plant and equipment in 2nd quarter of 2015 as against same quarter of 2014 by ₱3.3 million pertains depreciation charge for the quarter of ₱0.6 million due to property and equipment that was fully depreciated in 2014 and increase in additional acquisitions of transportation and office equipment of MCLSI amounting to ₱3.9 million.

The increase in 2nd quarter of 2015 as against December 31, 2014 by ₱0.4 million is due net effect of depreciation charges for the 2nd quarter of 2015 of ₱0.3 million and acquisition of transportation equipment amounting to ₱0.7 million.

The Group has no outstanding contractual commitments to acquire certain property and equipment as of June 30, 2015 and December 31, 2014. In 2015 and 2014, the Group carried out a review of the recoverable amounts of its property and equipment. The Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

Liabilities

Current Liabilities

Accounts payable and accrued expenses for the quarter ended June 30, 2015, December 31, 2014 and June 30, 2014 amounted to ₱410 million, ₱428 million and ₱430 million, respectively. Trade payables are noninterest bearing and have credit terms of 30 to 60 days. Accrued expense and other liabilities mainly include accruals for manufacturing and operating expenses, other taxes payable, advances from customers and provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered.

The decrease for the 2nd quarter of 2015 against same quarter of 2014 by ₱19.8 million or 5% is mainly due to (a) MAHEC recognition of finance costs on its loan for the petrochemical project (which were passed on to Polymax) and accrual of its fixed expenses such as legal and audit fee and

administrative expenses; (b) MCLSI trade payables arising from its trucking and warehousing operations.

Due to related parties as of June 30, 2015, December 2014 and June 30, 2014 amounted to ₱438.2 million, ₱416.7 million and ₱552 million, respectively. The Group, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayment period. The Group did not provide nor received any guarantee on its transaction with related parties. The decrease of ₱114.3 million in 2nd quarter of 2015 as against the 2nd quarter of 2014 and decrease of ₱21.5 million as against the end of 2014 pertains to Metro Alliance settlement of advances and offsetting of receivables and payables among the Group. Significant portion of these advances were used to finance its planned acquisition of petrochemical plant in prior years. Polymax sold another 20% interest in the petrochemical plant in 2014, proceeds from it were paid directly to creditors of Metro Alliance to pay off long outstanding liabilities.

Loans payable (current and long term) amounted to nil million as of June 30, 2015 and December 31, 2014 and ₱0.1 million for the period ended June 30, 2014, respectively. The account balance for 2nd quarter of 2014 pertains to MCLSI's loan agreements entered last July 21, 2009 for a total principal amount of P988,800 covering the acquisition of transportation equipment. The loan is payable monthly with interest at 19% per annum up to July 30, 2014 for the (first contract) and August 22, 2014 (for the second contract).

Two loan contracts were entered again by MCLSI last September 18, 2014 for the acquisition of machinery and transportation equipment. The loan is payable monthly with interest at 19% per annum up to September 30, 2019. The loans are collateralized by transportation equipment with carrying value of ₱75,335 and ₱158,655 as of June 30, 2015 and 2014.

Accrued retirement benefit cost amounted to P5.5 million as of June 30, 2015 and 2014. MAHEC and MCLSI has unfunded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date. The decrease of P1.2 million or 18% is due to payment made on retired employees as of the 2nd quarter of 2014 and loss incurred from retirement plan. The Group expects no contributions are to be made yet in the future years out of the defined benefit plan obligation. There are no provisions made as of the second quarter of 2015 as management believes that current provisions are enough to cover possible retirement expense for the year.

Summary of Material Trends, Events and Uncertainties

Petrochemical Project

On December 4, 2003, the Company entered into a Memorandum of Agreement (MOA) with Polymax, whereby the Company confirmed the designation of Polymax as the acquiring company in the proposed acquisition of the senior secured debt papers of BPC from International Finance Corporation (IFC). Under the MOA, the Company and Polymax agreed that (a) the acquisition of the secured debt paper would be for the account and benefit of the Company; (b) the funding for the acquisition would be provided and arranged by the Company; and (c) the exercise of creditor rights arising from the secured debts via foreclosure and takeover of the assets of BPC would be directed by and for the account and benefit of the Company. In addition, the Company would make certain advances to Polymax.

On December 19, 2003, Polymax and IFC entered into an Assignment and Transfer Agreement (the Agreement) for the purchase by the former of the senior secured debt papers of BPC. The Company advanced to Polymax the initial deposit of US\$5 million, which was remitted to IFC for the assignment payment, pursuant to the terms of the Agreement. On February 11, 2004, IFC confirmed that it has received the full payment for the assignment of the senior secured debt papers of BPC.

To partially finance the Company's advances relating to the Petrochemical Project, the Company obtained short-term loans from local banks (see Note 9). With the delay in the completion of the activities and the conditions required for the Petrochemical Project, the Company was unable to pay the bank loans on maturity dates. As of December 31, 2006, the amounts payable to the banks totaled ₱866.7 million, consisting of the outstanding principal balance of ₱378.3 million and finance

charges of ₱488.4 million. In 2007 these past due liabilities were transferred to and applied against the advances made to Polymax.

Pursuant to the Company's plan of acquiring full control of BPC, instead of exercising creditor rights, the Company, on April 16, 2004, entered into a Share Purchase Agreement (SPA) with BPC, Tybalt Investment Limited (TIL), BP Holdings International B.V. (BPHI) and Petronas Philippines, Inc. (PPI) with TIL as the purchase of the 83% interest of the foreign shareholders of BPC. As agreed by the parties, the SPA is to take effect as of March 31, 2004, subject to closing conditions, as defined in the SPA, which the parties have to comply with within a period of 60 days or later if the conditions are not met.

On July 7, 2005, Polymax and BPC executed a Deed of Conveyance, transferring to Polymax under an asset for share swap, the petrochemical plant of BPC in exchange for 85 million common shares of Polymax with par value of US\$1 per share, or a total par value of US\$85 million.

On July 20, 2005, the Company, Polymax and NPC International Limited (NPCI) entered into an SPA which provided that, subject to certain conditions, including the transfer of the petrochemical plant of BPC free from encumbrances, NPCI will acquire 60% of the issued share capital of NPC Alliance, Corp. (NPCA) from Polymax.

On August 9, 2005, Polymax and NPCA executed a Deed of Conveyance, transferring to NPCA, under an asset for share swap, the same petrochemical plant in exchange for 4.8 million shares of common stock of NPCA with a total par value of ₱4.8 billion, resulting in 100% ownership interest of Polymax in NPCA.

On November 15, 2005, BPC and Polymax executed a Deed of Assignment whereby BPC transferred and conveyed to Polymax all its rights and interest to Polymax's 85 million shares of common stock, with a total value of US\$85 million, in exchange for the discharge of a portion of BPC's secured debt, which was acquired by Polymax from IFC, up to the extent of the value of the shares transferred. Polymax retired the said shares 10 days from the date the Deed of Assignment.

On December 16, 2005, Polymax, NPCI, Petrochemical Industries Investment Company (PIIC) and the Company entered into an amended SPA whereby NPCI and PIIC will purchase 40% and 20% of NPCA's shares of common stock, respectively, from Polymax. In addition to the conditions set forth in the original SPA, the amended SPA also involves advances to be provided by NPCI amounting to US\$15 million representing an advance payment which may be used to fund the bona fide third party costs of NPCA or BPC for the recommissioning, operation and maintenance of the petrochemical plant or such other third party cost or expenses, taxes or duties as agreed between Polymax and NPCI.

On the same date, the Company, NPCI and PIIC entered into a Guaranteed and Indemnity agreement whereby the Company irrevocably and unconditionally guaranteed the prompt performance and observance by Polymax and the payment on demand by Polymax of all moneys, obligations and liabilities which are now or at any time after the execution of the agreement become due from or owing or incurred by Polymax under or in connection with any of the SPA and the Shareholders' Agreement. The Company also guaranteed that it shall be liable for Polymax's obligations, as if it were a principal debtor, if Polymax's obligations are no longer recoverable from Polymax.

On March 18, 2006, Polymax, NPCI, PIIC and the Company entered into an Agreement of Variation (March 2006 Variation Agreement) to vary and amend the terms of the Amended and Restated Share Purchase Agreement (ARSPA) and the Shareholders' Agreement entered on December 16, 2005. Under the March 2006 Variation Agreement, completion of the conditions and conditions subsequent set forth in the ARSPA was extended to April 30, 2006. Moreover, additional conditions that Polymax needs to satisfy prior to completion were agreed upon.

On the same date, Polymax and NPCI executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to NPCI all the rights, title and interest in 19,090,000 NPCA shares of common stock, equivalent to 40% ownership interest, for a consideration of ₱1.91 billion.

On September 11, 2006, Polymax, NPCI, PIIC, the Company and NPCA entered into another Agreement of Variation (September 2006 Variation Agreement) to further vary and amend the terms of the ARSPA and the Shareholders' Agreement (both initially amended and varied by the March 2006 Variation Agreement). Polymax, in accordance with its obligations under the ARSPA, had notified NPCI and PIIC that it is aware that certain conditions will not be fulfilled by April 30, 2006. As a result, the parties agreed to transfer to PIIC the 9,545,000 NPCA shares of common stock prior to completion, while certain conditions will become conditions subsequent to be completed on December 31, 2006.

On September 20, 2006, Polymax and PIIC executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to PIIC all the rights, title and interest in 9,545,000 NPCA shares of common stock, equivalent to 20% ownership interest, for a consideration of ₱954.5 million.

On December 31, 2006, the ARSPA Variation Agreement expired with the conditions subsequent remaining unsettled. Nevertheless NPCI and PCII took control of the petrochemical plant resulting in a dispute with the Company and Polymax, which considered the sale of Polymax's 40% and 20% interest in the petrochemical plant to NPCI and PCII as null and void.

On August 21, 2007, the petrochemical plant started commercial operations under NPCI and PIIC.

Subsequently on August 27, 2013, the Company and Polymax ("Respondents") entered into a settlement agreement with NPCI, PIIC and NPC ("Claimants") to resolve the dispute arising from the uncompleted acquisition transactions described above.

By letter dated October 31, 2013, the Claimants informed the Tribunal that the Parties to all three arbitrations had settled their disputes and that they wished to cease the proceedings. A request was made, to which the Respondents concurred by letter dated November 21, 2013, that the Tribunal issue a procedural order to record that the proceedings be withdrawn by agreement.

By letter dated November 22, 2013, the Tribunal agreed to make the order requested and said that it would fix the cost of the arbitration. In response to the Tribunal's enquiry about the Parties' own legal costs and expenses, the Respondents said that no party was seeking an order that another party should contribute to its legal cost.

The Claimants requested time to seek instructions from their clients in response to the Tribunal's enquiry. On October 2, 2014, the Claimants requested the Tribunal to issue Orders in each arbitration recording withdrawal of the Proceedings by agreement of the Parties, and fixing costs and returning the Claimants deposit against costs, following the deduction of any outstanding sums owing to the Tribunal. It is apparent from this letter as well as the response of the Respondent that none of the Parties are seeking an order in respect of their own cost.

It is also apparent from the Parties' submissions to the Tribunal that they agreed that this arbitration should be terminated and that the Tribunal should fix the costs of the arbitration. Further, as only the Claimants have made deposits towards those costs, it is appropriate that, after deducting from those deposits the cost of the arbitration as fixed by this Order, the balance held by the London Court of International Arbitration (LCIA) should be returned to the Claimants.

Legal case

Case Title :	Metro Alliance vs The Philippine Stock Exchange ("PSE")
Factual basis :	The Company has an outstanding obligation to the PSE in the amount of ₱3.4 million as of June 10, 2015 for the repeated violations of the rules and regulations of the PSE starting May 2007 until December 2012. The case was related to the same violation the Company has with the SEC where it also required submitting structured reports such as Annual and Quarterly Report from 2007 until 2012. (Please refer to preceding paragraph for the discussion of the Company's inability to file such reports). The PSE suspend the trading of the Company last May 2007.
Relief Sought :	The Company has made provisions on its financial statement sufficient enough to cover such liability.

Case Title : **Metro Alliance vs. Commissioner of Internal Revenue**

Factual basis : Assessment for deficiency withholding taxes for the years 1989, 1990 and 1991

Principal parties : Commissioner of Internal Revenue

Name of Court : Court of Appeals

Date Instituted : November 8, 2002

Status : Metro Alliance sought a reconsideration of the assessment from the Bureau but the same was denied. This prompted Metro Alliance to file a Petition for Review with the Court of Tax Appeals, which was also denied. Metro Alliance then appealed to the Court of Appeals but the same was also denied. Metro Alliance filed a Motion for Reconsideration in December 2003. On July 9, 2004, Metro Alliance received the Court of Appeals resolution denying the Motion for Reconsideration. On July 22, 2004 Metro Alliance filed with the Court of Tax Appeals a Motion for Extension of time to file and appeal to the Supreme Court. On October 20, 2004, Metro Alliance received the resolution of the Supreme Court denying its Petition of Review for lack of reversible error. Metro Alliance filed a Motion for Reconsideration. On November 22, 2004, the Supreme Court resolved to deny the motion, as no substantial arguments were raised to warrant reconsideration thereof. The denial is final. On March 28, 2006, the Second Division of the Court of Tax Appeals (CTA) rendered a resolution on Metro Alliance's Motion for Reconsideration denying the same and holding that the Court no longer has the authority to amend or alter its decision. Pursuant to Rule 4, Section 2 of the Revised Rules of the CTA Metro Alliance filed a Petition for Review before the CTA en banc. Said Petition for Review raised several issues pertaining to the Resolutions promulgated by the Second Division of the CTA on (a) January 2, 2006, which granted CIR's Motion for Issuance of Writ of Execution; and (b) March 28, 2006, which denied Metro Alliance's Motion for Reconsideration.

Relief Sought : Metro Alliance has sought a reconsideration of the assessment from the BIR amounting to P83,757,397.

Case Title : **Metro Alliance and Philippine Estate Corporation vs Philippine Trust Company, et al**

Factual basis : Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sales, plus Damages

Principal parties : Philippine Trust Company, et. al

Name of Court : Regional Trial Court, Fourth Judicial Region
Branch 18, Tagaytay City

Date Instituted : September 14, 2005

Status : On September 14, 2005, Metro Alliance and Philippine Estate Corporation filed a Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sales, plus Damages with prayer for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction. Damages sought are P1,000,000 as and by way or exemplary damages and P500,000 as and by way of attorney's fees; litigation expenses and cost of suit. The case is now pending with the Regional Trial Court of Tagaytay City, Branch 18 O SCA No. TG-05-2519.

The case stemmed from the imminent extra-judicial foreclosure of properties covered by Transfer Certificate of Title Nos. T-35522, T-

35524 and T-35552 subject to the real Estate Mortgage executed by Metro Alliance and Philippine Estate Corporation on the amount of P42,000,000 which amount was never received.

On October 6, 2005, the Regional Trial Court (RTC) of Tagaytay City issued and granted the Writ of Preliminary Injunction. Management believes that the same will be made permanent by the RTC.

Events that will Trigger Direct Contingent or Financial Obligation

Having resolved its disputes with foreign parties involved in the Bataan petrochemical project there are no additional known events that will trigger direct or contingent financial obligation that is material to Metro Alliance, including the default of acceleration of an obligation during the reporting period.

Material Off-balance Sheet Transactions, Arrangements, Obligations

There are no off-balance sheet transactions, arrangements, obligations, and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period.

Commitment For Capital Expenditures

Since CPDSI has ceased operations and MVC ceased to be a subsidiary of MAHEC, the Group has no commitment for capital expenditures.

Any Known Trends, Events of Uncertainties (Impact On Net Sales / Net Income)

Since CPDSI, AHI, FEZ-EAC and ZDI have ceased commercial operations and MCLSI is the only operating subsidiary among the Group, sales will rely solely on MCLSI's results of operations.

Significant Element of Income or Loss That Did Not Arise From Continuing Operations.

There is no significant element of income or loss that did not arise from continuing operations.

Material Changes on Line Items in the Financial Statements

Material changes on line items in the financial statements are presented under the captions "Changes in Financial Condition" and "Changes in Operating Results" above.

Effect of Seasonal Changes in the Financial Condition or Results of Operations of the Corporation

The financial condition or results of operations is not affected by any seasonal change.

PART II – OTHER INFORMATION

(1) Market Information

- a) The principal market of Metro Alliance Holdings & Equities Corp.'s common equity is the Philippine Stock Exchange (PSE) where it was listed 1947. The high and low sales prices by quarter for the last three (3) years are as follows:

		Class A		Class B	
		High	Low	High	Low
2015	First Quarter	-	-	-	-
	Second Quarter	-	-	-	-
2014	First Quarter	-	-	-	-
	Second Quarter	-	-	-	-
	Third Quarter	-	-	-	-
	Fourth Quarter	-	-	-	-
2013	First Quarter	-	-	-	-
	Second Quarter	-	-	-	-
	Third Quarter	-	-	-	-
	Fourth Quarter	-	-	-	-

As observed, there are no high and sales prices for the last three years since the Philippine Stock Exchange suspended the trading of the Company for non-compliance with the submission of structured reports such as annual and quarterly report since 2007. (Please refer to 'Summary of Material Trends, Events and Uncertainties').

The high, low and close market price of Class "A" and Class "B" were P0.70 and P0.84 as of May 17, 2007, the last practicable trading date before the PSE suspended the Company's trading last 2007.

(2) Holders

a) There are 306,122,449 shares outstanding: 183,673,470 shares are Class "A" and 122,448,979 shares are Class "B". As of June 30, 2015, there are 632 holders of Class "A" shares and 403 holders of Class "B" shares.

Metro Alliance's Top 20 Stockholders as of June 30, 2015 are as follows:

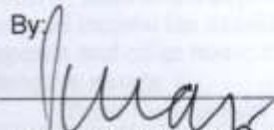
	Stockholder's Name	Number of Shares		Percentage to Total
		Class A	Class B	
1	Creston Global Limited		56,378,388	18.42
2	PCD Nominee Corporation (Filipino)	16,190,768	26,779,182	14.04
3	Chesa Holdings, Inc.	40,500,000		13.23
4	Pacific Wide Realty & Development Corp.	31,498,000		10.29
5	Forum Holdings Corporation	16,376,856	13,432,644	9.11
6	Misons Industrial and Development Corp.	22,000,000		7.19
7	Pacific Concorde Corporation	6,329,500	9,503,908	5.17
8	Rexlon Realty Group, Inc.	12,200,000	2,673,112	4.86
9	Chartered Commodities Corp.	11,296,000		3.69
10	Mizpah Holdings, Inc.	10,128,700		3.31
11	William T. Gatchalian	2,091,000	1,481,500	1.17
12	Pacific Rehouse Corp.	1,258,000	1,670,000	0.96
13	Kenstar Industrial Corp.	2,312,331		0.76
14	PCD Nominee Corporation (Non-Filipino)		2,030,952	0.66
15	Nancy Saw		1,846,500	0.60
16	Tin Fu Or Trajano		820,000	0.27
17	Severin Haselmann		730,000	0.24
18	CTBC TA#5-C184; Zuellig Corp.	684,829		0.22
19	UBP Capital Corporation	645,000		0.21
20	Rexlon T. Gatchalian	600,000		0.20
	Others	9,562,486	55,802,793	5.40
	Total	183,673,470	122,448,979	100.00

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on JUL 16 2015.

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code of the Philippines, the registrant has duly caused this report to be signed on behalf by the undersigned, thereunto duly authorized, in the City of Makati on JUL 16 2015.

By:


RENATO B. MAGADIA
Chairman of the Board and President
(Principal Executive and Operating Officer)


NESTOR S. ROMULO
Corporate Secretary


JAMES B. PALIT-ANG
Corporate Treasurer

SUBSCRIBED AND SWORN to before me this JUL 16 2015 day of QUEZON CITY affiants exhibiting to me their Tax Identification No. as follows:

AFFIANTS

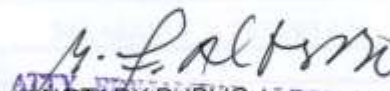
Renato B. Magadia
Nestor S. Romulo
James Palit-Ang

TAX IDENTIFICATION NO.

207-278-104
107-200-723
151-671-333

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NOTARY PUBLIC

UNTIL December 31, 2016
PTR NO. 0682987-C-1-20-15 - QUEZON CITY
IRP NO. 975600 12-11-2014 - QUEZON CITY
ROLL NO. 13296
ADM. MATTER NO. HP-144 (2015 - 2016)
TIN NO. 177967619
MCLE EXEMPTED

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (In Php)

“Annex A.1”

	30-Jun-2015	31-Jun-2014	31-Dec-2014
	Unaudited	Unaudited	Audited
ASSETS			
Current Assets			
Cash and cash equivalents	20,204,922	20,597,197	22,144,944
Receivables - net	82,598,387	68,249,381	80,303,539
Prepaid expenses and other current assets	31,204,295	25,847,569	20,783,745
Assets held for sale	788,662,261	960,441,200	788,662,261
Total Current Assets	922,669,866	1,075,135,347	911,894,489
Noncurrent Assets			
Available-for sale-investments	6,558,768	5,402,551	6,558,768
Property, plant and equipment – net	5,386,544	2,145,767	5,052,315
Deferred income tax assets - net	4,773,825	4,609,814	4,773,825
Deposits and other non-current assets	1,464,790	–	–
Intangible assets	629,526	–	750,000
Total Noncurrent Assets	18,813,453	12,158,132	17,134,908
TOTAL ASSETS	941,483,319	1,087,293,479	929,029,397
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts Payable and accrued expenses	410,538,985	430,274,829	418,904,085
Due to related parties	438,181,471	552,543,652	416,729,684
Total Current Liabilities	848,720,456	982,818,481	835,633,769
Noncurrent Liabilities			
Accrued retirement benefit costs	5,571,489	5,548,363	5,571,489
Loans payable – net of current portion	–	179,415	–
Deferred income tax liabilities	347	–	347
Total Noncurrent Liabilities	5,571,836	5,727,778	5,571,836
Total Liabilities	854,292,292	988,546,259	841,205,605
Stockholders' Equity			
Equity attributable to equity holders of the Parent Company			
Capital stock	306,122,449	306,122,449	306,122,449
Additional paid-in capital	3,571,921	3,571,921	3,571,921
Deficit	(236,624,123)	(222,150,006)	(236,473,666)
Remeasurement gain on retirement plan	2,347,003	2,347,003	2,347,003
Available-for-sale reserve	2,787,805	1,631,588	2,787,805
	78,205,055	91,522,955	78,355,512
Non-controlling interests	8,985,972	7,224,265	9,468,280
Total Stockholders' Equity	87,191,027	98,747,220	87,823,792
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	941,483,319	1,087,293,479	929,029,397

(The accompanying notes are integral part of these financial statements)

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME (In Php)

“Annex A.2”

	Apr. – Jun 2015	Apr. – Jun 2014	Jan. – Jun. 2015	Jan. – Jun. 2014
NET SALES				
Services	35,089,405	26,937,963	63,074,907	53,875,926
COST OF SALES AND SERVICES	(17,830,616)	(9,057,372)	(24,865,756)	(18,114,744)
GROSS PROFIT	17,258,789	17,880,591	38,209,151	35,761,182
Expenses	(17,554,516)	(18,265,284)	(36,197,221)	(36,530,568)
Finance cost	–	(6,979)	(3,500)	(13,958)
Other income (expenses)	5,267	(333,473)	8,992	(666,944)
LOSS BEFORE INCOME TAX	(290,460)	(725,145)	2,017,422	(1,450,290)
PROVISION FOR INCOME TAX				
Current	(1,011,105)	–	(2,167,879)	–
Deferred	–	–	–	–
NET INCOME (LOSS)	(1,301,565)	(725,145)	(150,457)	(1,450,290)
Net income (loss) attributable to:				
Equity holders of the parent company	(2,441,515)	(904,263)	(2,612,623)	(1,821,534)
Minority interests	1,139,950	179,118	2,462,166	371,244
	(1,301,565)	(725,145)	(150,457)	(1,450,290)
Basic/Diluted Loss Per Share				
Net loss for the year attributable to the Equity holders of the Parent Company*	(₱ 0.0080)	(₱ 0.0030)	(₱ 0.0085)	(₱ 0.0060)

*Based on the weighted average number of shares of 306,122,449

(The accompanying notes are integral part of these financial statements)

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS (In Php)

“Annex A.3”

	Unaudited As of June 30, 2015	June 30 2014	Audited December 31, 2014
CASH FROM OPERATING ACTIVITIES			
Loss before income tax and discontinued operations	(P 150,457)	(P 1,450,290)	(P 3,713,423)
Adjustments for:			
Unrealized foreign exchange gain (loss)	—	730,462	—
Amortization of intangible asset	120,474	—	150,000
Depreciation	604,080	1,858,112	1,192,994
Interest expense	3,500	13,958	7,207,800
Interest income	(8,992)	(433)	(34,799)
Dividend received	—	—	500
Deferred tax assets	—	—	(2,536,463)
Other non-cash adjustments	—	—	(2,569,558)
Operating income (loss) before working capital changes:	568,605	1,151,809	(3,793,183)
Decrease (increase) in receivables	(2,294,848)	7,637,034	(4,417,124)
Decrease (increase) in prepaid expense and other current assets	(9,751,752)	(4,786,179)	277,644
Increase (decrease) in accounts payable and accrued expense	(8,365,100)	4,090,583	15,287,308
Cash generated (used in) operations	(19,843,195)	8,093,247	7,354,646
Income tax paid	(1,151,107)	—	—
Net cash flows provided (used in) operating activities	(20,994,202)	8,093,247	7,354,646
CASH FLOW FROM INVESTING ACTIVITIES			
Interest received	8,992	433	34,799
Decrease (increase) in assets held for sale	—	151,222	171,627,717
Advances from (to) related parties	—	(877,042)	—
Acquisition of property and equipment	(938,309)	(1,205,134)	(4,375,620)
Acquisition of intangible assets	—	—	(900,000)
Decrease (increase) in other noncurrent assets	(1,464,790)	—	—
Increase (decrease) in AFS financial assets	—	—	(425,755)
Net cash flows provided by (used in) investing activities	(2,394,107)	(1,930,521)	165,961,141
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend received	—	—	(500)
Advances to (from) related parties	21,451,787	—	(158,231,557)
Payment of long term debt	—	—	(179,415)
Interest expense paid	(3,500)	(13,958)	(7,207,800)
Net cash flows provided by (used in) financing activities	21,448,287	(13,958)	(165,619,272)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,940,022)	6,148,768	7,696,515
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	22,144,944	14,448,429	14,448,429
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	P20,204,922	P20,597,197	P22,144,944

(The accompanying notes are integral part of these financial statements)

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	For the Quarter Ended June 30	
	2015	2014
ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY		
Capital Stock - P1 par value		
Common shares		
Class "A"		
Authorized - 720,000,000 shares		
Issued and outstanding - 183,673,470 shares		
Class "B"		
Authorized - 480,000,000 shares		
Issued and outstanding - 122,449,979	306,122,449	306,122,449
Additional Paid-in Capital	3,571,921	3,571,921
Deficit		
Balance at beginning of the year	(236,473,666)	(220,699,716)
Net loss	(150,457)	(1,450,290)
Balance at end of the period	(236,624,123)	(222,150,006)
Other Reserves:		
Revaluation reserve on available-for-sale financial assets	2,787,805	1,631,588
Remeasurement Gain (Loss) on Retirement Plan	2,347,003	2,347,003
	5,134,808	3,978,591
EQUITY ATTRIBUTABLE TO HOLDERS OF PARENT COMPANY	78,205,055	91,522,955
MINORITY INTERESTS	8,985,972	7,224,265
TOTAL STOCKHOLDERS' EQUITY	87,191,027	98,747,220

(The accompanying notes are integral part of these financial statements)

1. Corporate Information

Metro Alliance Holdings & Equities Corp. (MAHEC or the Company) is incorporated in the Philippines. The Company and its subsidiaries (collectively referred to as “the Group”) are involved in the manufacture of chemicals and contract logistics. In 2007, the Company’s interest in the subsidiary engaged in the manufacture of chemicals was sold. Certain subsidiaries previously engaged in the importation and distribution of polypropylene resin and pharmacy management have ceased operations.

The registered office address of the Company is 22nd Floor, Citibank Tower, 8741 Paseo de Roxas, Makati City.

Status of Operation

The Company and Polymax Worldwide Limited (Polymax), its special purpose entity incorporated in British Virgin Island entered into a series of acquisition transactions (see details below) to acquire ownership of the petrochemical plant of NPC Alliance Corp. (NPCA), which resulted in a 2006 disputed sale of Polymax’s 60% interest in NPCA to NPC International Limited (NPCI) and Petrochemical Industries Investment Company (PIIC). Subsequently on August 27, 2013 the Company and Polymax entered into a settlement agreement with NPCI, PII and NPC to resolve the dispute. On the basis of the settlement agreement, the previously issued 2006 consolidated financial statements of the Company and its subsidiaries were restated to reflect the sale of Polymax’s 60% interest in the petrochemical plant.

The remaining 40% of Polymax’s interest which is valued at P900 million, which is estimated recoverable amount from the sale of investment. The realization of the Company’s advances to Polymax (an unconsolidated special purpose entity in 2007) and the settlement Polymax’s past due liabilities for which the Company is jointly and severally liable, depends on whether sufficient cash flows can be generated from Polymax’s 40% interest in NPCA, which is for sale, and from a letter of comfort issued by the Wellex Group of Companies in favor of the Company. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

The Group’s last audited consolidated financial statements was for the year ended December 31, 2006. Due to uncertainties surrounding the acquisition transactions of the Bataan petrochemical plant, as discussed on succeeding paragraphs, the scope of the 2007-2013 audit was completed by the independent auditors and the reports was approved by the Board of Directors on October 10, 2014.

Acquisition Transactions

On December 4, 2003, the Company entered into a Memorandum of Agreement (MOA) with Polymax, whereby the Company confirmed the designation of Polymax as the acquiring company in the proposed acquisition of the senior secured debt papers of BPC from International Finance Corporation (IFC). Under the MOA, the Company and Polymax agreed that (a) the acquisition of the secured debt paper would be for the account and benefit of the Company; (b) the funding for the acquisition would be provided and arranged by the Company; and (c) the exercise of creditor rights arising from the secured debts via foreclosure and takeover of the assets of BPC would be directed by and for the account and benefit of the Company. In addition, the Company would make certain advances to Polymax.

On December 19, 2003, Polymax and IFC entered into an Assignment and Transfer Agreement (the Agreement) for the purchase by the former of the senior secured debt papers of BPC. The Company advanced to Polymax the initial deposit of US\$5 million, which was remitted to IFC for the assignment payment, pursuant to the terms of the Agreement. On February 11, 2004, IFC

confirmed that it has received the full payment for the assignment of the senior secured debt papers of BPC.

To partially finance the Company's advances relating to the Petrochemical Project, the Company obtained short-term loans from local banks (see Note 9). With the delay in the completion of the activities and the conditions required for the Petrochemical Project, the Company was unable to pay the bank loans on maturity dates. As of December 31, 2006, the amounts payable to the banks totaled P=866.7 million, consisting of the outstanding principal balance of P=378.3 million and finance charges of P=488.4 million. In 2007 these past due liabilities were transferred to and applied against the advances made to Polymax.

Pursuant to the Company's plan of acquiring full control of BPC, instead of exercising creditor rights, the Company, on April 16, 2004, entered into a Share Purchase Agreement (SPA) with BPC, Tybalt Investment Limited (TIL), BP Holdings International B.V. (BPHI) and Petronas Philippines, Inc. (PPI) with TIL as the purchase of the 83% interest of the foreign shareholders of BPC. As agreed by the parties, the SPA is to take effect as of March 31, 2004, subject to closing conditions, as defined in the SPA, which the parties have to comply with within a period of 60 days or later if the conditions are not met.

On July 7, 2005, Polymax and BPC executed a Deed of Conveyance, transferring to Polymax under an asset for share swap, the petrochemical plant of BPC in exchange for 85 million common shares of Polymax with par value of US\$1 per share, or a total par value of US\$85 million.

On July 20, 2005, the Company, Polymax and NPC International Limited (NPCI) entered into an SPA which provided that, subject to certain conditions, including the transfer of the petrochemical plant of BPC free from encumbrances, NPCI will acquire 60% of the issued share capital of NPC Alliance, Corp. (NPCA) from Polymax.

On August 9, 2005, Polymax and NPCA executed a Deed of Conveyance, transferring to NPCA, under an asset for share swap, the same petrochemical plant in exchange for 4.8 million shares of common stock of NPCA with a total par value of P=4.8 billion, resulting in 100% ownership interest of Polymax in NPCA.

On November 15, 2005, BPC and Polymax executed a Deed of Assignment whereby BPC transferred and conveyed to Polymax all its rights and interest to Polymax's 85 million shares of common stock, with a total value of US\$85 million, in exchange for the discharge of a portion of BPC's secured debt, which was acquired by Polymax from IFC, up to the extent of the value of the shares transferred. Polymax retired the said shares 10 days from the date the Deed of Assignment.

On December 16, 2005, Polymax, NPCI, Petrochemical Industries Investment Company (PIIC) and the Company entered into an amended SPA whereby NPCI and PIIC will purchase 40% and 20% of NPCA's shares of common stock, respectively, from Polymax. In addition to the conditions set forth in the original SPA, the amended SPA also involves advances to be provided by NPCI amounting to US\$15 million representing an advance payment which may be used to fund the bona fide third party costs of NPCA or BPC for the recommissioning, operation and maintenance of the petrochemical plant or such other third party cost or expenses, taxes or duties as agreed between Polymax and NPCI.

On the same date, the Company, NPCI and PIIC entered into a Guaranteed and Indemnity agreement whereby the Company irrevocably and unconditionally guaranteed the prompt performance and observance by Polymax and the payment on demand by Polymax of all moneys, obligations and liabilities which are now or at any time after the execution of the agreement become due from or owing or incurred by Polymax under or in connection with any of the SPA and the Shareholders' Agreement. The Company also guaranteed that it shall be liable for Polymax's obligations, as if it were a principal debtor, if Polymax's obligations are no longer recoverable from Polymax.

On March 18, 2006, Polymax, NPCI, PIIC and the Company entered into an Agreement of Variation (March 2006 Variation Agreement) to vary and amend the terms of the Amended and

Restated Share Purchase Agreement (ARSPA) and the Shareholders' Agreement entered on December 16, 2005. Under the March 2006 Variation Agreement, completion of the conditions and conditions subsequent set forth in the ARSPA was extended to April 30, 2006. Moreover, additional conditions that Polymax needs to satisfy prior to completion were agreed upon.

On the same date, Polymax and NPCI executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to NPCI all the rights, title and interest in 19,090,000 NPCA shares of common stock, equivalent to 40% ownership interest, for a consideration of P=1.91 billion.

On September 11, 2006, Polymax, NPCI, PIIC, the Company and NPCA entered into another Agreement of Variation (September 2006 Variation Agreement) to further vary and amend the terms of the ARSPA and the Shareholders' Agreement (both initially amended and varied by the March 2006 Variation Agreement). Polymax, in accordance with its obligations under the ARSPA, had notified NPCI and PIIC that it is aware that certain conditions will not be fulfilled by April 30, 2006. As a result, the parties agreed to transfer to PIIC the 9,545,000 NPCA shares of common stock prior to completion, while certain conditions will become conditions subsequent to be completed on December 31, 2006.

On September 20, 2006, Polymax and PIIC executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to PIIC all the rights, title and interest in 9,545,000 NPCA shares of common stock, equivalent to 20% ownership interest, for a consideration of P=954.5 million.

On December 31, 2006, the ARSPA Variation Agreement expired with the conditions subsequent remaining unsettled. Nevertheless NPCI and PCII took control of the petrochemical plant resulting in a dispute with the Company and Polymax, which considered the sale of Polymax's 40% and 20% interest in the petrochemical plant to NPCI and PCII as null and void.

On August 21, 2007, the petrochemical plant started commercial operations under NPCI and PIIC.

Subsequently on August 27, 2013, the Company and Polymax ("Respondents") entered into a settlement agreement with NPCI, PIIC and NPC ("Claimants") to resolve the dispute arising from the uncompleted acquisition transactions described above.

By letter dated October 31, 2013, the Claimants informed the Tribunal that the Parties to all three arbitrations had settled their disputes and that they wished to cease the proceedings. A request was made, to which the Respondents concurred by letter dated November 21, 2013, that the Tribunal issue a procedural order to record that the proceedings be withdrawn by agreement.

By letter dated November 22, 2013, the Tribunal agreed to make the order requested and said that it would fix the cost of the arbitration. In response to the Tribunal's enquiry about the Parties' own legal costs and expenses, the Respondents said that no party was seeking an order that another party should contribute to its legal cost.

The Claimants requested time to seek instructions from their clients in response to the Tribunal's enquiry. On October 2, 2014, the Claimants requested the Tribunal to issue Orders in each arbitration recording withdrawal of the Proceedings by agreement of the Parties, and fixing costs and returning the Claimants deposit against costs, following the deduction of any outstanding sums owing to the Tribunal. It is apparent from this letter as well as the response of the Respondent that none of the Parties are seeking an order in respect of their own cost.

It is also apparent from the Parties' submissions to the Tribunal that they agreed that this arbitration should be terminated and that the Tribunal should fix the costs of the arbitration. Further, as only the Claimants have made deposits towards those costs, it is appropriate that, after deducting from those deposits the cost of the arbitration as fixed by this Order, the balance held by the London Court of International Arbitration (LCIA) should be returned to the Claimants.

Consequently, the consolidated financial statements have been prepared assuming that the Group will continue as a going concern.

2. Summary of Significant Accounting Policies

Statement of Compliance

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) approved by the Philippine Financial Reporting Standards Council (PFRSC) and the SEC.

The consolidated financial statements have been prepared on the accrual basis using historical cost basis, except for available-for-sale (AFS) financial assets that are measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. All values are rounded to the nearest million, except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company, Metro Alliance Holdings and Equities Corp., and the following subsidiaries:

	Percentage of Ownership	
	2015	2014
Operating subsidiaries:		
Metro Combined Logistics Solutions, Inc. (MCLSI) (formerly GAC Logistics, Inc.)	51.00	51.00
Non-operating subsidiaries:		
Consumer Products Distribution Services, Inc. (CPDSI)	100.00	100.00
FEZ-EAC Holdings, Inc. (FEZ-EAC)	100.00	100.00
Zuellig Distributors, Inc. (ZDI)	100.00	100.00
Asia Healthcare, Inc. (AHI)	60.00	60.00

A subsidiary is an entity in which the Parent Company has control. Subsidiaries are consolidated from the date on which control is transferred to the Parent Company and cease to be consolidated from the date on which control is transferred out of the Parent Company.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

Non-controlling Interests

Non-controlling interests represent the interests in subsidiaries which are not owned, directly or indirectly through subsidiaries, by the Parent Company. If losses applicable to the non-controlling interest in a consolidated subsidiary exceed the non-controlling interest's equity in the subsidiary, the excess, and any further losses applicable to non-controlling interest, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good of the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the interest's share of losses previously absorbed by the majority interest has been recovered.

Adoption of New Standards, Amendments to Standards and Interpretations

The PFRSC approved the adoption of new standards, amendments to standards, and interpretations.

Amendments to Standards and Interpretations Adopted in 2013

Starting January 1, 2013, the Group adopted the following new and amended PAS and Philippine Interpretations from International Financial Reporting Interpretation Committee (IFRIC):

- PFRS 10, *Consolidated Financial Statements*. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant

judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. Adoption of this standard has no significant impact on the consolidated financial statements.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments)*. The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or “recycled”) to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. Adoption of this standard is reflected in the consolidated statement of comprehensive income.

- PAS 19, *Employee Benefits (Revised)*. For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period. The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee’s entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized. Adoption of this standard resulted in the inclusion of additional disclosures in the consolidated financial statements and restatement of December 31 and January 1, 2012 accounts.

- PFRS 12, *Disclosure of Interests in Other Entities*. PFRS 12 sets out the requirements for disclosures relating to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). Adoption of this standard has no significant impact on the consolidated financial statements.

- PFRS 13, *Fair Value Measurement*. PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Adoption of this standard resulted in the inclusion of additional disclosures in the consolidated financial statements (see Note 26).

Annual Improvements to PFRSs (2009-2011 Cycle)

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*. These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. As a result, the Group has included comparative information in respect of the opening consolidated balance sheet as at January 1, 2012 since there is a retrospective application of an accounting policy.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*. The amendment clarifies that income taxes relating to distributions to equity

holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. This has no impact on the consolidated financial statements.

Future Changes in Accounting Policies

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been early adopted. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below.

Effective 2014

PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*. These Amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these Amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

Effective in 2015

PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)*. The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans.

Annual Improvements to PFRSs (2010-2012 Cycle)

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*. The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively.

- PFRS 13, *Fair Value Measurement – Short-term Receivables and Payables*. The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 24, *Related Party Disclosures – Key Management Personnel*. The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.

Cash

Cash include cash on hand and in banks.

Financial Assets and Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair

value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

Subsequent to initial recognition, the Group classifies its financial assets and liabilities in the following categories: held-to-maturity (HTM) financial assets, AFS investments, FVPL financial assets and loans and receivables. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of Fair Value. The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Day 1 Profit. Where the transaction price in a non-active market is different from the fair value of the other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 Profit) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'day 1' profit amount.

Financial Assets

Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognized in the consolidated statement of comprehensive income.

Financial assets may be designated by management at initial recognition at FVPL, when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis; or
- the assets are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

The Group has no financial assets at FVPL as of June 30, 2015 and 2014.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial asset at FVPL.

Receivables are carried at cost or amortized cost, less impairment in value. Amortization is determined using the effective interest method.

The Group's cash, receivables and refundable deposits (included under other current assets) are included in this category.

HTM Investments. HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and classified as AFS investments. After initial measurement, these investments are measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that is an integral part of the effective interest rate.

Gains and losses are recognized in the consolidated statement of comprehensive income when the HTM investments are derecognized or impaired, as well as through the amortization process.

The Group has no HTM investments as of June 30, 2015 and 2014.

AFS Investments. AFS investments are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. Subsequent to initial recognition, AFS investments are measured at fair value with unrealized gains or losses recognized as other comprehensive income in the unrealized gain (loss) on AFS investments account until the investment is derecognized, at which time the cumulative gain or loss is recognized in other income, or the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the unrealized gain (loss) on AFS investments account to profit or loss under other expense.

The Group's investments in equity securities included under the available-for-sale investments account are classified under this category.

Financial Liabilities

Financial Liabilities at FVPL. Financial liabilities are classified in this category if these result from trading activities or derivative transactions that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category.

The Group has no derivative liabilities as of June 30, 2015 and 2014.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Included in this category are: accounts payable and accrued expenses (excluding payable to government agencies and reserves for contingencies), due to related parties and long-term debt.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets

The Group assesses at balance sheet date whether a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of loss shall be recognized in the consolidated statement of comprehensive income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets Carried at Cost. If there is objective evidence of an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Financial Assets. If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of comprehensive income, is transferred from equity to the consolidated statement of comprehensive income. Reversals in respect of equity instruments classified as AFS are not recognized in profit. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or

- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated balance sheet.

Asset Held for Sale

An asset is classified as asset held for sale when its carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is highly probable. Asset held for sale is stated at the lower of its carrying amount and fair value less costs to sell.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization of property and equipment commences once the fixed assets are available for use and is calculated on a straight-line basis over the following estimated useful lives:

	Number of Years
Leasehold improvements	5 years or lease term, whichever is shorter
Machinery and equipment	3 to 10
Office furniture, fixtures and equipment	2 to 5

The remaining useful lives, residual values and depreciation and amortization method are reviewed periodically to ensure that the periods, estimated residual values and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

When an asset is sold or retired, its cost and related accumulated depreciation and amortization and any impairment in value are eliminated from the accounts. Any gain or loss resulting from its disposal is credited to or charged against current operations.

Intangible Assets

Intangible assets pertaining to software license costs that are acquired separately are initially carried at cost. Subsequently, intangible assets with definite useful lives are carried at cost less accumulated amortization and impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives, which do not exceed three years.

The remaining useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured

as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Impairment of Non-financial Asset with Definite Useful Life

The carrying values of property and equipment and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Capital stock is measured at par value for all shares issued. Proceeds of consideration received in excess of par value are recognized as additional paid-in capital.

Revenue

Revenue is recognized to the extent that is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably. Revenue is recognized as follows:

Logistics and Other Services

Revenue is recognized when the related services are rendered.

Interest

Interest income is recognized as it accrues, taking into account the effective yield of the asset.

Dividend Income

Dividend income is recognized when the right to receive the payment is established.

Expenses

Expenses are recognized as incurred.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Borrowing Costs

Borrowing costs are generally expensed as incurred, unless there are qualifying assets that require capitalization of borrowing costs.

Retirement Benefits Costs

The Parent Company and MCLSI provide for estimated retirement benefits to be paid under Republic Act (RA) No. 7641, Retirement Law, to all their permanent employees. MCLSI has a funded, non-contributory defined benefit retirement plan, administered by a trustee, covering its permanent employees. The cost of providing benefits under the defined benefit retirement plan is determined using the projected unit credit actuarial valuation method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur.

The net defined liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Retirement benefits costs include service cost, net interest on the net defined obligation or asset and remeasurements of net defined benefit obligation or asset.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as part of cost of services and expenses in the consolidated statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined obligation or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit obligation) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The net retirement benefits liability recognized by the Group is the aggregate of the present value of the defined benefit obligation at the end of the balance sheet date reduced by the fair value of plan assets, adjusted for any effect of limiting a net pension asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Plan assets are assets that are held by a long-term employee benefit fund. Fair value of plan assets is based on market price information.

Foreign Currency Transactions and Translations

Transactions denominated in foreign currency are recorded in Philippine peso using the prevailing exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated to Philippine peso using the prevailing exchange rate at balance sheet date. Foreign exchange gains or losses arising from the translation at balance sheet date or settlement of monetary items at rates different from those at which they were initially recorded are credited to or charged against current operations.

Income Tax

Income tax for the year comprises current and deferred income tax. Income tax is recognized in the consolidated statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to tax authority. The tax rates and tax laws used to compute the current tax are those that are enacted and substantively enacted as of balance sheet date.

Current income tax relating to items recognized directly in equity, if any, is recognized in equity and not in profit or loss.

Deferred Tax

Deferred income tax is provided using the balance sheet liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the carry forward tax benefits of the net operating loss carryover (NOLCO) and the excess of minimum corporate income tax (MCIT) over the regular corporate income tax. The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted at reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the carry-forward benefits of unused NOLCO and MCIT can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Income tax relating to other comprehensive income, if any, is recognized in the other comprehensive income section of the consolidated statements of comprehensive income.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

Earnings Per Share

Basic earnings per share are computed by dividing net income by the weighted average number of outstanding shares. The Parent Company has no dilutive potential common shares that would require disclosure of diluted earnings per share in the consolidated statement of comprehensive income.

Segments

The Group's operating businesses are recognized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serve different markets. Financial information on business segments are presented in Note 5.

Provisions

Provisions are recognized only when the Group has (a) a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events after the End of Reporting Period

Post year-end events that provide additional information about the Group's position at balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates, judgment and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as these become reasonably determinable.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Consolidation of SPE

An entity is considered a SPE and included in consolidation even in cases when the Parent Company owns less than one-half or none of the SPE's equity, when the substance of the relationship between the Parent Company and the SPE indicates that the SPE is controlled by the Parent Company. While the Parent Company has no ownership interest in Polymax, this SPE was included in the 2006 consolidated financial statements and prior years. However starting in 2007, the SPE was no longer consolidated because it had ceased operating as a going concern (see Note 8).

Operating Lease Commitments – Group as Lessee

The Group has various operating lease agreements for their respective offices and warehouses. The Group has determined that the risks and rewards of ownership of the underlying properties have been retained by their respective lessors. Accordingly, these leases are accounted for as operating leases (see Note 23).

Contingencies

The Group is currently involved in various legal proceedings, which are normal to its business as discussed in Note 29. The Group's estimate of the probable costs for these proceedings and resolution of these claims have been developed in consultation with outside counsel handling the prosecution and defense of these cases and is based upon an analysis of potential results. The Group does not believe that these legal proceedings will have a material adverse effect on its consolidated financial statements. It is possible, however, that changes in estimates relating to these proceedings may materially affect results of operations.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, which have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimated Allowance for Doubtful Accounts and Probable Losses

The Group reviews the carrying amounts of receivables, creditable withholding taxes and input taxes (under other current assets) and advances to Polymax (under asset held for sale) at each balance sheet date and reduces the balance of these assets to their estimated recoverable amounts.

Provision for doubtful accounts and other losses are determined at the end each balance sheet date. There are no provisions

Receivables (net of allowance for doubtful accounts of ₱149.5 million as of June 30, 2015 and 2014, respectively), amounted to ₱82.6 million and ₱68.2 million as of June 30, 2015 and 2014, respectively (see Note 7).

Creditable withholding taxes and input taxes, included under “Prepaid expenses and other current assets” in the consolidated balance sheets, totaling ₱41.2 million and ₱33.3 million as of June 30, 2015 and 2014, respectively, are covered with allowance for doubtful accounts of ₱14.1 million as of June 30, 2015 and 2014.

Advances to Polymax (under assets held for sale) amounting to ₱788.7 million and ₱960.4 million as of June 30, 2015 and 2014, respectively, constitute 83% and 85% of the Group's total assets as at June 30, 2015 and 2014, respectively. The realization of the Parent Company's advances to Polymax and the settlement of the past due liabilities carried in the books of Polymax for which the Company is jointly and severally liable, is dependent on whether sufficient cash flows can be generated from the sale Polymax's 20% interest in NPCA, which is for sale, and from a letter of comfort issued by the Wellex Group of Companies in favor of the Parent Company, as discussed in Note 8.

Estimated Useful Lives and Residual Values of Property and Equipment and Intangible Assets

The Group estimates the useful lives and residual values of its property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives and residual values based on factors that include asset utilization, internal technical evaluation, technological changes, and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property and equipment and intangible assets would increase depreciation and amortization expenses, while an increase in the estimated useful lives would decrease depreciation and amortization expenses.

There has been no change in the Group's estimate of the useful lives and residual values of its property and equipment in June 30, 2015 and 2014.

In June 30, 2015 and 2014, MCLSI's management assessed that there is a significant change from the previous estimates and estimated useful life of its intangible assets to one year, since the assets will no longer provide future economic benefit to the Company as disclosed in Note 12.

As of June 30, 2015 and 2014, property and equipment, net of accumulated depreciation, amounted to ₱5.4 million and ₱2.1 million, respectively (see Note 11). Total depreciation expense charged to operations amounted to ₱0.6 million, ₱0.5 million and ₱0.9 million for the period ended June 30, 2015, December 31, 2014 and June 30, 2014, respectively (see Notes 16 and 17).

Evaluation of Impairment of Noncurrent Nonfinancial Assets

The Group assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual asset or, if it is not possible, for the cash generating unit to which the asset belongs.

Management believes that there was no indication of impairment on property and equipment as of June 30, 2015 and 2014. As of June 30, 2015 and 2014, property and equipment, net of accumulated depreciation and amortization, amounted to ₱5.4 million and ₱2.1 million, respectively, as shown in Note 11 and total depreciation and amortization charged to operations amounted to ₱0.6 million in 2015 and ₱0.3 million in 2014 (see Notes 18 and 19).

Fair Value of Financial Assets and Liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires use of accounting estimates and judgment. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., quoted market prices and interest rates). In the case of those financial assets and financial liabilities that have no active markets, fair values are determined using an appropriate valuation technique. Any change in fair value of these financial assets and liabilities would affect profit or loss and equity. The fair value of financial assets and liabilities are enumerated in Note 26.

Impairment of AFS Investments

The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment. The Group treats “significant” generally as a decline of 20% or more below of the original cost of the investment, and “prolonged” as period longer than 12 months. In addition, the Group evaluates other factors for AFS investments with no quoted bid prices such as changes in the issuer’s industry and sector performances, legal and regulatory framework, technology, and other factors that affect the recoverability of the investments.

Classification of Financial Instruments

The Group classifies a financial instrument, or its component parts, on initial recognition, as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of financial instrument, rather than its legal form, governs its classification in the consolidated balance sheets.

The Group determines the classification at initial recognition and reevaluates this designation at every financial reporting date.

Deferred Income Tax Assets

The Group reviews the carrying amounts of deferred income taxes at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable (or recognizes deferred income tax assets to the extent that it is probable) that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

The net deferred income tax assets amounted to ₱4.8 million and ₱4.6 million as of June 30, 2015 and 2014, respectively (see Note 18).

The Group did not recognize deferred income tax assets on certain deductible temporary differences and NOLCO as management believes that the Group may not have sufficient future taxable profits available to allow utilization of these deferred income tax assets (see Note 18).

Retirement benefits

The determination of the obligation and cost of retirement benefits is dependent on certain assumptions used by the actuary in calculating such amounts. These assumptions are describe in Note 19 to the consolidated financial statements and include, among others, discount rates, salary increase rates and expected rates of return on plan assets. Actual results that differ from the Group’s assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligations.

The accrued retirement benefit costs amounted to ₱5.5 million as of June 30, 2015 and 2014 (see Note 19).

Operating Lease Commitments – Group as lessee

The Group has various operating lease agreements for their respective offices and warehouses. The Group has determined that the risks and rewards of ownership of the underlying properties have been retained by their respective lessors. Accordingly, these leases are accounted for as finance leases (See Notes 12 and 20).

4. Cash and Cash Equivalents

	June 30, 2015	Dec 31, 2014	June 30, 2014
Cash on hand	₱ 141,000	₱ 141,000	₱ 76,000
Cash in banks	20,063,922	22,003,944	20,521,197
	₱ 20,204,922	₱ 22,144,944	₱ 20,597,197

As of June 30, 2015, December 31, 2014 and June 30, 2014, US Dollar denominated cash, as stated in Philippine Peso amounted to ₱26,630, ₱24,482 and ₱26,356.

Cash in banks earn interest at the respective bank deposit rates. Interest income from banks amounted to ₱8,992 in June 30, 2015, ₱34,799 in December 31, 2014 and ₱433 in June 30, 2014.

5. Receivables

	June 30 2015	Dec 31 2014	June 30 2014
Notes	₱138,710,706	₱138,710,706	₱138,710,706
Trade	43,842,943	42,259,980	27,833,762
Due from affiliates (Note 14)	10,837,097	10,975,236	11,638,900
Others	38,755,444	37,905,420	39,170,459
	232,146,190	229,851,342	217,353,827
Less allowance for doubtful accounts	(149,547,803)	(149,547,803)	(149,104,446)
	₱82,598,387	₱80,303,539	₱68,249,381

Trade receivables pertain to logistics and warehouse rental receivables which are collectible monthly based on terms of the contract.

Other receivables include advances to employees and associates. The credit quality and aging to trade and other receivables are fully disclosed in Note 22. Provision for allowance for doubtful accounts is provided at the end of each balance sheet date. The Group's receivables are not held as collateral for its liabilities and are free from any encumbrances.

6. Prepaid Expenses and Other Current Assets

Details are as follows:

	June 30 2015	Dec 31 2014	June 30 2014
Creditable withholding taxes	₱31,541,311	₱21,629,997	₱22,554,461
Input taxes	9,714,188	9,204,952	10,741,167
Refundable deposits	1,400,410	1,400,410	713,285
Prepayments and others	2,675,867	2,675,867	5,966,137
	45,331,776	34,911,226	39,975,050
Less allowance for probable losses	14,127,481	14,127,481	14,127,481
	₱31,204,295	₱20,783,745	₱25,847,569

The carrying amounts of the creditable withholding tax and input taxes are reduced to the extent that they are no longer probable that the sufficient income tax due and revenue subject to VAT, respectively, will be available to allow all or part of the creditable withholding and input taxes to be utilized.

7. Assets Held for Sale/Discontinued Operation

Asset held for sale amounting to ₱788.7 million as of June 30, 2015, December 31, 2014 and ₱960.4 million as of June 30, 2014 (which constitute 84% and 89% of the Group's total assets as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively) represent advances to Polymax, the Group's special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPC Alliance Corporation (NPCA).

On March 18 and September 20, 2006, Polymax's interest in NPCA of 40% and 20%, respectively, was sold. Thereafter, Polymax's management decided to discontinue operations, cease operating as a going concern, and exclude the accounts of Polymax in the Group's

consolidated financial statements. The remaining 40% interest of Polymax in NPCA, which is for sale, is valued at ₱900 million, which is the estimated recoverable amount from sale of the investment (see Note 2 for details).

The realization of the Parent Company's advances to Polymax and the settlement of Polymax's past due liabilities related to the asset for sale, for which the Parent Company is jointly and severally liable, are dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 40% interest in NPCA. In this regard and to ensure the recoverability of the Parent Company's advances to Polymax and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, the Parent Company's major stockholders issued a letter of comfort in favor of the Parent Company on September 30, 2014.

During 2014, 20% of the 40% remaining interest of Polymax in NPCA was sold. To reiterate assurance of the collectability of the Parent Company's advances to Polymax, a comfort letter dated April 10, 2015 was issued by the major stockholders of the Parent Company.

Condensed unaudited financial information of Polymax as of June 30, 2015, December 31, 2014 and June 30, 2014 prepared on the liquidation basis of accounting (where assets are stated at estimated recoverable value and all known liabilities are recognized) is shown in the table below.

	June 30 2015	Dec 31 2013	June 30 2014
Assets			
Cash and cash equivalents	₱130,966,060	₱130,966,060	₱ –
Assets held for sale	347,720,000	347,720,000	900,000,000
Due from related parties	530,685,120	530,685,120	485,685,120
Total assets	1,009,371,180	1,009,371,180	1,385,685,120
Liabilities			
Liabilities related to assets held for sale	994,668,446	994,668,446	994,668,446
Due to Metro Alliance Holdings and Equities Corp.	788,662,261	788,662,261	960,441,200
Other payable	49,030,000	49,030,000	49,030,000
Total liabilities	1,832,360,707	1,832,360,707	2,004,139,646
Net equity	(₱822,989,527)	(₱822,989,527)	(₱618,454,526)

Assets held for sale pertains to the estimated recoverable value of Polymax's 20% interest in NPCA.

Liabilities related to assets held for sale pertain to past due liabilities which were obtained to finance the acquisition of 100% ownership interest in NPCA. The Company is jointly and severally liable with Polymax with respect to these past due liabilities.

8. Available-for-sale Investments

	June 30 2015	Dec 31 2014	June 30 2014
Listed	₱6,558,768	₱6,558,768	₱5,402,551
Unlisted	–	–	–
	₱6,558,768	₱6,558,768	₱5,402,551

Accumulated AFS reserve amounted to ₱2,787,805 and ₱1,631,588 as of June 30, 2015, December 31, 2014 and June 30, 2014.

9. Property and Equipment - At Cost

June 30, 2015

	Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Total
Cost				
Balances at beginning of year	₱892,995	₱22,442,079	₱15,606,280	₱38,941,354
Additions	—	938,309	—	938,309
Balances at end of year	₱892,995	₱23,380,388	₱15,606,280	₱39,879,663
Accumulated Depreciation and Impairment Loss				
Balances at beginning of year	727,337	18,722,844	14,438,858	33,889,039
Depreciation	16,346	300,206	287,528	604,080
Balances at end of year	743,683	19,023,050	14,726,386	34,493,119
Net book value	₱ 149,312	₱ 4,357,338	₱ 927,698	₱5,386,544

June 30, 2014

	Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Total
Cost				
Balances at beginning of year	₱1,078,126	₱18,684,425	₱15,186,664	₱34,949,215
Additions	—	2,134,190	—	2,134,190
Balances at end of year	₱1,078,126	₱ 20,818,615	₱15,186,664	₱37,083,405
Accumulated Depreciation and Impairment Loss				
Balances at beginning of year	₱1,078,126	₱18,122,433	₱13,878,967	₱33,079,526
Depreciation	—	1,340,582	517,530	1,858,112
Balances at end of year	1,078,126	19,463,015	14,396,497	34,937,638
Net book value	₱ —	₱ 1,355,600	₱ 790,167	₱ 2,145,767

Transportation equipment of MCLSI with a carrying value of ₱75,335 and ₱158,655 as of June 30, 2014 and 2013, respectively, has been pledged to fulfill collateral requirements of the loan (see Note 13). The loan was fully settled as of September 30, 2014.

The Group has no outstanding contractual commitments to acquire certain property and equipment as of June 30, 2015 and 2014.

In 2015 and 2014, the Group carried out a review of the recoverable amounts of its property and equipment.

The Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

10. Accounts Payable and Accrued Expenses

Details of this account are shown below.

	June 30 2015	Dec 31 2014	June 30 2014
Accrued expenses	₱359,731,701	358,151,980	₱359,180,009
Trade payables	28,725,154	32,204,196	44,594,229
Accrued finance charges – related party	14,209,630	14,209,630	7,288,162
Other liabilities	7,872,500	14,338,279	19,212,429
	₱410,538,985	₱418,904,085	₱430,274,829

Trade payables are noninterest bearing and have credit terms of 30 to 60 days.

Accrued expenses and other liabilities include provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the outcome of the related claims and tax assessments.

11. Long Term Debt

Long-term debt represents loans obtained by MCLSI amount to ₱179,415 as of December 31, 2013 which is fully paid during 2014.

On July 21, 2009, MCLSI entered into two loan agreements for a total principal amount of ₱ 988,800 covering the acquisition of transportation equipment. The loan is payable monthly with interest at 19% per annum up to July 30, 2014 (for the first contract) and August 22, 2014 (for the second contract). The two loans are collateralized by transportation equipment as discussed in Note 9).

12. Related Party Transactions

Significant transactions with related parties include the following:

The related amounts applicable to the Company's transactions with related parties are as follows:

Related Party	Category	Period	Amount/ Volume of Transactions	Receivables (Payables)	Terms	Conditions
<u>Entity with significance influence over the entity</u>						
Polymax	Non-interest bearing under asset held for sale (Note 6)	12/31/14	(P171,627,717)	P788,662,261	Non-interest bearing	Unsecured; not impaired
		06/30/15	–	788,662,261		
<u>Operating Subsidiary</u>						
MCLSI	Non-interest bearing	12/31/14	–	P 500,000	Non-interest bearing	Unsecured; not impaired
		06/30/15	–	500,000	Non-interest bearing	Unsecured; not impaired
<u>Associates (entities under common control)</u>						
The Wellex Group, Inc.	Non-interest bearing due from related parties	12/31/14	(5,384,826)	5,416,174	Non-interest bearing	Unsecured; not impaired
		06/30/15	60,362	5,476,536		
Waterfront Philippines, Inc.	Non-interest bearing due to related parties	12/31/14	(3,042,977)	(365,933,148)	Non-interest bearing	Unsecured; not impaired
		06/30/15	–	(365,933,148)		
Acesite (Phils.) Hotel Corporation	Non-interest bearing due to related parties	12/31/14	–	6,239,733	Non-interest bearing	Unsecured; not impaired
		06/30/15	–	6,239,733		
The Wellex Group	Non-interest bearing due to related parties	12/31/14	22,491,481	(22,491,481)	Non-interest bearing	Unsecured; not impaired
		06/30/15	5,999,348	(28,490,829)		
Gulf Agency Company Holdings (BV)	Non-interest bearing due to related parties	12/31/14	–	(22,670,814)	Non-interest bearing	Unsecured; not impaired
		06/30/15	–	(22,670,814)		
Others	Non-interest bearing due to related parties	12/31/14	–	293,487	Non-interest bearing	Unsecured; not impaired
		06/30/15	–	293,487		

Compensation of Key Management Personnel

Key management personnel are those person having authority and responsibility for planning and directing and controlling the activities of the Group, directly or indirectly. Details of compensation of key management personnel are as follows.

	June 30 2015	Dec 31 2014	June 30 2014
Short-term employee benefits	P 518,639	P8,161,952	P 600,540
Retirement benefits	534,268		–
	P 1,053,907	P8,161,952	P 600,540

In the stockholder's meeting of MCLSI held on May 30, 2012, it was resolved that each director shall be paid a reasonable per diem in the amount of P3,000 for every meeting attended beginning May 30, 2012.

Per diem of directors of MCLSI amounted to P19,398 and P22,535 as of June 30, 2015 and 2014, respectively.

The compensation of key management personnel and per diem are presented in the statement of comprehensive income as part of cost of services.

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under their respective group's retirement plan.

13. Capital Stock

- c. The Group's capital stock as of June 30, 2015 and 2014 consists of the following common shares:

Class "A" – ₱1 par value	
Authorized – 720,000,000 shares	
Issued and Outstanding – 183, 673,470 shares	
Number of equity holders – 676 in 2015 and 2014	₱183,673,470
Class "B" – ₱1 par value	
Authorized – 480,000,000 shares	
Issued and Outstanding – 122,448,979 shares	
Number of equity holders – 421 in 2015 and 2014	₱122,448,979
	<u>₱306,122,449</u>

The two classes of common shares are identical in all respects, except that Class "A" shares are restricted to Philippine nationals and the total number of Class "B" shares is limited to two-thirds of the total outstanding Class "A" shares.

- d. On July 25, 2003, the Group's stockholders approved the increase in authorized capital stock from ₱1.2 billion consisting of 1.2 billion shares to ₱5.0 billion consisting of 5.0 billion shares, both with par value of ₱1.0 per share. However the increase was held in abeyance because of the dispute in the acquisition of the Petrochemical Project, which was settled in 2007 (see Note 2).

14. Cost of Sales and Services

Details of this account are shown below.

	June 30 2015	Dec 31 2014	June 30 2014
Personnel costs	₱8,445,388	₱35,659,774	₱4,166,391
Rent and utilities (Note 20)	3,566,594	12,073,142	1,449,180
Transportation and Travel	1,080,396	26,966,919	1,358,606
Outside services	1,060,352	9,143,490	543,442
Security services	431,571	1,383,389	181,147
Communication and office supplies	415,252	1,529,346	271,721
Depreciation (Note 11)	300,206	681,400	139,458
Repairs and maintenance	143,993	188,287	21,575
Others	2,386,864	14,479,788	925,852
	<u>₱17,830,616</u>	<u>₱102,105,535</u>	<u>₱9,057,372</u>

15. Expenses

Details of this account are shown below.

	June 30 2015	June 30 2014
Salaries, wages and employee Benefits	₱12,227,701	₱10,959,170
General and administrative expenses	3,115,285	3,470,404
Rent and utilities	258,843	365,306
Depreciation (Note 11)	303,874	789,598
Taxes and licenses	248,363	91,326
Professional fee	331,372	182,653
Others	1,069,078	2,406,827
	<u>₱ 17,554,516</u>	<u>₱18,265,284</u>

Others include professional fees, communication, supplies, transportation, entertainment and others.

16. Leases

Operating leases of MCLSI relate to leases of a warehouse, renewable upon agreement of parties, and office space, both for a period of two years. Operating lease payments represent rentals payable by the MCLSI for its warehouse and office space. The lease contract for warehouse provided for prepaid rent and rental security deposits equivalent to one month rental ₱ 354,640.

At reporting date, the MCLSI had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	June 30 2015
Within one year	₱4,560,360
After one year but not more than five years	998,340
	₱5,558,700

Rental are distributed as follows:

Cost of services	₱ 3,566,594
Operating expense	258,843
Rental expense as of 2 nd quarter of 2015	₱ 3,825,437

During the year, the Company entered into a new lease contract for its office space. The term of the contract is one (1) year, commencing on February 1, 2014 and ending on January 31, 2015, renewable subject to terms and conditions as may be mutually agreed upon. The contract also provided for prepaid rent and rental security deposits equivalent to two months rental of ₱134,820.00 representing one month deposit and one month advance rental. The advance rental shall be applied to the first month of lease term. Deposit shall be non-interest bearing and shall apply to whatever valid claims in case of the pre-termination of the lease term.

17. Logistics Agreements

MCLSI has agreements with principals to provide logistics operations services, specifically warehousing and managing delivery of the principals' products to their key accounts and sub-distributors nationwide. Under the terms of these agreements, the principals shall pay MCLSI the agreed monthly fees plus reimbursement of certain warehouse expenses.

18. Financial Assets and Financial Liabilities

The following table summarizes the carrying and fair values of the Group's financial assets and financial liabilities as of June 30, 2014 and December 31, 2013:

	June 30 2015		December 31 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	₱20,201,922	₱20,204,922	₱22,144,944	₱22,144,944
Receivables	82,598,387	82,598,387	80,303,539	80,303,539
AFS investments	6,558,768	6,558,768	6,558,768	6,558,768
Refundable deposits (included in "Other noncurrent assets")	1,400,410	1,400,410	1,400,410	1,400,410
	₱110,762,487	₱110,762,487	₱110,407,661	₱110,407,661

	June 30 2015		December 31 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Liabilities				
Accounts payable and accrued expenses*	₱28,725,154	₱28,725,154	₱ 32,204,196	₱ 32,204,196
Due to affiliates	438,181,471	438,181,471	416,729,684	416,729,684
	₱466,906,625	₱466,906,625	₱448,933,880	₱448,933,880

*Excluding payable to government agencies and reserve for contingencies which are not considered as financial liabilities

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Current Financial Assets and Financial Liabilities

Due to the short-term nature of the transactions, the carrying values of cash, receivables, loans payable, due to affiliates, accounts payable and accrued expenses approximate their fair values.

AFS Investments

The fair values of publicly traded instruments and similar investments are based on quoted bid prices.

Long-term Debt

The carrying value approximate the fair value, which is determined to be present value of future cash flows using the prevailing market rate as the discount rate.

Refundable Deposits

The fair values of refundable deposits and obligation under finance lease have been determined by discounting the expected future cash flows at prevailing interest rates.

19. Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist of cash, due from (to) affiliates AFS investments and loans payable. The main purpose of these financial instruments is to finance the Group's operations. The Group's other financial assets and financial liabilities include receivables, accoaccrued expenses and other current liabilities, which arise directly from its operations.

The main risk arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The BOD reviews and approves the policies for managing these risks which are summarized below:

Cash Flow Interest Rate Risk

The Group's exposure to the risk for changes in market interest rates relates to its loans payable, which principally bear floating interest rates.

Liquidity Risk

The Group's objective is to maintain a balance between flexibility and continuity of funding. However, because of the default on the payment of interest and principal amortizations on existing debts, the Group's access to funds has been limited to those of its related parties in the form of advances. Current working capital requirements will continue to be sourced from short-term loans and advances from related parties.

	June 30 2015			
	On Demand	Within 1 Year	More than 1 Year	Total
Cash and cash equivalents	₱ 22,424,510	₱ –	₱ –	₱22,424,510
Receivables	–	43,842,943	38,755,444	82,598,387
Refundable deposits	–	1,400,410	1,400,410	1,400,410
	22,424,510	45,243,353	40,155,854	106,423,307
AFS financial assets	–	–	6,558,768	6,558,768
	₱22,424,510	₱45,243,353	₱46,714,622	₱112,982,075

Due to related parties	₱	–	₱	–	₱438,181,471	₱438,181,471
Accrued expenses and other current liabilities		7,872,500	28,725,154	373,941,331	410,538,985	
	₱	7,872,500	₱ 28,725,154	₱812,122,802	₱848,720,456	

December 31 2014					
	On Demand	Within 1 Year	More than 1 Year	Total	
Cash and cash equivalents	₱22,144,944	₱ –	₱ –	₱22,144,944	
Receivables	–	41,535,701	38,767,838	80,303,539	
Refundable deposits	–	1,400,410	–	1,400,410	
	22,144,944	42,936,111	38,767,838	103,848,893	
AFS financial assets	–	–	6,558,768	6,558,768	
	₱22,144,944	₱42,936,111	₱45,326,606	₱110,407,661	
Due to related parties	₱	–	₱ –	₱416,729,684	₱416,729,684
Accrued expenses and other current liabilities	–	32,204,196	386,699,890	418,904,085	
	₱	₱32,204,196	₱803,429,574	₱835,633,769	

Credit Risk

It is the Group's policy to require all concerned affiliates and/or third party to comply and undergo a credit verification process with emphasis on their capacity, character and willingness to pay. In addition, receivables are closely monitored so that exposure to bad debts is minimized. The Group deals only with legitimate parties. As to other financial assets of the Group like cash, the credit risk arises only in case of default of the counterparty and the maximum exposure is limited to the carrying amount of the instruments.

Financial information on the Company's maximum exposure to credit risk as of June 30, 2015 and December 31, 2014, without considering the effects of collaterals and other risk mitigation techniques are presented below. (see next page)

	June 30 2015	December 31 2014
Cash and cash equivalents	₱ 20,204,922	₱ 22,144,944
Receivables	82,598,387	80,303,539
Refundable deposits	1,400,410	1,400,410
	₱104,203,719	₱ 103,848,893

The table below present the credit quality of financial assets and an analysis of past due accounts.

June 30 2015

	High Grade	Medium Grade	Past due but not impaired	Total
Cash and cash equivalents	₱20,204,922	₱ –	₱ –	₱20,204,922
Receivables	43,842,943	27,818,347	10,837,097	82,598,387
Refundable deposits	1,400,410	–	–	1,400,410
	₱65,448,275	₱ 27,818,347	₱10,837,097	₱104,103,719

December 31, 2014

	High Grade	Medium Grade	Past due but not impaired	Total
Cash and cash equivalents	₱22,144,944	₱ –	₱ –	₱22,144,944
Receivables	41,535,701	–	38,767,838	41,535,701
Refundable deposits	1,400,410	–	–	1,400,410
	₱65,081,055	₱ –	₱38,767,838	₱103,848,893

20. Capital Management

The primary objective of the Company's capital management is to maintain a strong credit rating and healthy capital ratios to maximize shareholders equity and for future business expansion.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group defines capital as paid-in capital stock, additional paid-in capital and retained earnings. Other components of equity such as unrealized gains are excluded from capital for purposes of capital management.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Parent Company's business, operation and industry.

As of June 30, 2015, the Parent Company's authorized and issued capital stock amounted to ₱ 306 million and there were no changes from prior period.

The Parent Company is not subject to externally-imposed capital requirements.

The Group monitors its capital gearing by measuring the ratio of interest-bearing loan to total equity. Interest-bearing loan includes all short-term and long-term loans. The Group's total equity attribute to equity holders of the Parent Company as at June 30, 2015, December 31 and June 30, 2014 amounted to ₱78.2 million, ₱78.4 million and ₱91.5 million, respectively.

21. Other Matters

- d. On July 5, 2002, the Company received a decision from the Court of Tax Appeals (CTA) denying the Company's Petition for Review and ordering the payment of P83.8 million for withholding tax assessments for the taxable years 1989 to 1991. The Company filed a Motion for Reconsideration on July 31, 2002 but was subsequently denied by the CTA. A Petition for Review was filed with the CTA on November 8, 2002, which was also denied by the CTA. The Company then appealed the decision of the CTA to the Court of Appeals (CA), which likewise denied the appeal and upheld the assessment against the Company. The Company, through its legal counsel, filed a Motion for Reconsideration with the CA in December 2003.

On July 9, 2004, the Company received the CA resolution denying the Motion for Reconsideration. On July 22, 2004, the Company filed with the CA a Motion for Extension of time of file and appeal to the Supreme Court (SC). On August 20, 2004, the Company filed said appeal. On October 20, 2004, the Company received the resolution of the SC denying its Petition for Review for lack of reversible error. The Company filed a Motion for Reconsideration. On January 10, 2005, the SCC issued an Order stating that it found no ground to sustain the Company's appeal and dismissed the Company's petition with finality.

On April 26, 2006, the Company filed a Petition for Review before the CTA en banc. On March 7, 2007, the CTA en banc dismissed the Petition for lack of merit. The CTA en banc affirmed the CTA's decision granting the Monitor for Issuance of Writ of Execution filed by the Commissioner of Internal Revenue. As of June 30, 2015, the Company has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable. Management believes, however, that the ultimate outcome of the case will not have a material effect on the consolidated financial statements.

- e. On September 14, 2005, the Company and a third party filed a civil action against a local bank for the imminent extra-judicial foreclosure of the properties of the third party which are used as real estate mortgage for additional loans from the local bank amounting to ₱ 42.0 million, which the Company maintains has ever been received.

On October 6, 2005, the Regional Trial Court of Tagaytay City (RTC) issued and granted the Writ of Preliminary Injunction (first injunction). As of June 30, 2015, the case is still pending with the same court. Trial on the merits of the case has not been started as the Company, through its counsel, filed an Amended Complaint with an Urgent Application for the Issuance of Writ of Preliminary Injunction after the first injunction was nullified by the Court of Appeals and affirmed by the SC. The Company and its legal counsel are positive that the court will sustain their position.

- f. There are also other pending legal cases against the Company. Based on the facts of these cases, management believes that its positions have legal merits and the resolution thereof will not materially affect the Company's financial position and result of operations.

**METRO ALLIANCE HOLDINGS & EQUITIES CORP.
AND SUBSIDIARIES
APPENDIX A – FINANCIAL SOUNDNESS
JUNE 30, 2015**

	June 30 2015	June 30 2014	December 31 2014
Profitability ratios:			
Return on assets	(0.07%)	(0.07%)	(1.08%)
Return on equity	(0.73%)	(0.73%)	(11.39%)
Net profit margin	(2.69%)	(2.69%)	(7.83%)
Solvency and liquidity ratios:			
Current ratio	108.71%	109.39%	109.13%
Debt to equity ratio	979.79%	1001.09%	957.83%
Quick ratio	105.04%	106.76%	106.64%
Cash-flow liquidity ratio	9.27%	9.47%	8.43%
Financial leverage ratio:			
Asset to equity ratio	1079.79%	1101.09%	1057.83%
Debt to asset ratio	90.74%	90.92%	90.55%
Interest rate coverage ratio	(0.27%)	(0.97%)	(0.100%)

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES**TRADE RECEIVABLES AGING SUMMARY**

As of June 30, 2015

in Php '000s

Principal/Customer	Credit Terms	Total	Amount in Php '000				
			Current	1-30	31-60	61-90	Over 90
<u>MCLSI Logistics</u>							
Rustans Supermarkets	30 days	11,776	3,950	3,913	3,913		—
Johnson & Johnson	30	10,017	4,048	5,969	—	—	—
Zuellig Pharma Corp.	60	6,792	2,510	2,804	1,478	—	—
ZPC Repacking	60	6,025	2,013	1,975	31	—	—
Interphil Laboratories Inc.	30	5,829	2,270	1,970	1,589	—	—
Bayer Animal Health (Phils)	30	509	509	—	—	—	—
Others	60	2,894	—	—	1,370	1,040	484
		43,842	15,300	16,631	8,381	1,040	484