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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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P	R	E	L	I	M	I	N	A	R	Y

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

806

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 Preliminary Report: MAHEC
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METRO ALLIANCE
HOLDINGS & EQUITIES CORP.

SECURITIES AND EXCHANGE
COMMISSION

RECORDED
OCT 09 2018

MARKET REGULATION DEPT.
Done 3:15 p

To All Shareholders:

Please be informed that the ANNUAL MEETING OF STOCKHOLDERS shall be held on November 16, 2018, Friday, at 3:00 p.m. at One Café and Events Place, 6th Floor One Corporate Centre, Doña Julia Vargas cor. Meralco Ave., 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 November 17, 2017
4. Report of the President
5. Presentation and approval of the Annual Financial Statements
6. Ratifications of the actions and proceedings taken by the Board of Directors and Corporate Officers since November 18, 2017
7. Approval of the amendment of the Article NINTH of the Articles of Incorporation (Declassification of Common Class A and B shares resulting to one Common shares) and approval of the amendment of the Article SIXTH of the Articles of Incorporation to increase number of directors from Seven (7) to Nine (9)
8. Ratification of the Board's action to call subscription to the Company's unsubscribed capital stock
9. Election of the Members of the Board of Directors
10. Appointment of External Auditor
11. Other business
12. Adjournment

As fixed by the Board of Directors, stockholders of record date as of October 17, 2018 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 October 18 to November 16, 2018.

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

PROXY

KNOW ALL MEN BY THESE PRESENTS:

The undersigned, stockholder of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.**, do hereby constitute and appoint _____ as my attorney-in-fact and proxy, to attend and represent me at the Annual Stockholders Meeting of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.** on 16 November 2018, and thereat to vote upon _____ shares of stock owned by me on the following agenda items as I have indicated below and any and all business that may come before said meeting. If I fail to indicate my vote on the items specified below, my proxy shall vote in accordance with the recommendation of Management. Management recommends a "FOR ALL" vote for proposal 11, and a "FOR" vote for proposals 1 through 10.

ITEM NO.	SUBJECT MATTER	ACTION		
		Yes	No	Abstain
3	Approval of Minutes of Previous Meeting			
5	Approval of Annual Report			
6	Ratification of all acts and resolutions of the Board of Directors and Management adopted during the preceding year.			
7	Approval of the amendment of the Article NINTH of the Articles of Incorporation (Declassification of Common Class A and B shares resulting to one Common shares) and approval of the amendment of the Article SIXTH of the Articles of Incorporation to increase number of directors from Seven (7) to Nine (9)			
8	Ratification of the Board's action to call subscription to the Company's unsubscribed capital stock			
9	Election of Directors *All nominees listed below Renato B. Magadia Lamberto B. Mercado, Jr. Reno I. Magadia Ricardo M. Dela Torre Nestor S. Romulo Byoung Hyun Suh (<i>Independent Director</i>) Aristeo R. Cruz (<i>Independent Director</i>) <i>Note:</i> <i>To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list the name(s) under.</i>	FOR ALL*	WITHHOLD FOR ALL*	EXCEPTION
10	Appointment of Valdez Abad & Associates, CPAs external auditor			
11	At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the Meeting.			

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **NOVEMBER 7, 2018**, 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.

IN WITNESS WHEREOF, the undersigned has executed this PROXY this ____ of _____ 2018 in _____.

Name and Signature of Stockholder/Authorized Representative

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 Ave.,** 1605
Ortigas Center, Pasig City Postal Code
 Address of principal office

7. Registrant's telephone number, including area code: **(632) 706-7888**

8. **November 17, 2017, Tuesday, 2:00 pm, One Café and Events Place**
6th Floor One Corporate Centre, Doña Julia Vargas cor. Meralco Ave.
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: **October 25, 2018**

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	Php452,042,440

12. Are any or all of registrant's securities listed in a Stock Exchange?
 Yes 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: November 16, 2018

Time: 3:00 pm

**Place: One Café and Events Place 6th Floor One Corporate Centre,
Doña Julia Vargas cor. Meralco Ave., Ortigas Center, Pasig City**

Complete mailing address of the principal office of the corporation:

**35th Floor One Corporate Centre, Doña Julia Vargas
cor. Meralco Ave., Ortigas Center, Pasig City, 1605**

(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 **October 25, 2018**.

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 **September 30, 2018**:

	Shares Outstanding	No. of Vote Each Share is Entitled
Common Shares – Class A		
Filipino	183,670,970	One (1) vote each
Foreigner	2,500	One (1) vote each
Total	183,673,470	
Common Shares – Class B		
Filipino	60,739,681	One (1) vote each
Foreigner	61,709,298	One (1) vote each
Total	122,448,979	
Total Outstanding Shares	306,122,449	

- (b) All stockholders as of record date **October 17, 2018** 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 **September 30, 2018**, 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	Perlie Alpuerto – Authorized signatory (Designated representative)	British	56,378,388	18.417%
Common Shares – Class A 48,836,772 Class B 2,696,452	PCD Nominee Corp. 37F Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo De Roxas, Makati City	PCD Participants and their clients**	Filipino	51,533,224	16.834%

Common Shares – Class A	Chesa Holdings, Inc. Room 206 Bencom Bldg., 146 West Avenue, Brgy. PHIL-AM, Quezon City	Yolly C. Fernandez Corporate Secretary (Designated representative)	Filipino	40,500,000	13.230%
Common Shares – Class A	Pacific Wide Realty & Development Corp. Room 206 Bencom Bldg., 146 West Avenue, Brgy. PHIL-AM, Quezon City	Babelyn R. Mantos Corporate Treasurer (Designated representative)	Filipino	31,498,000	10.289%
Common Shares – Class A	Forum Holdings Corporation Room 402 Bencom Bldg., 146 West Avenue, Brgy. PHIL-AM, Quezon City	Ellen T. Balunsat Corporate Treasurer (Designated representative)	Filipino	27,875,000	9.106%
Common Shares – Class A	Misons Industrial and Development Corp. Unit 2002 20 ^F . Antel 2000 Corporate Center 121 Valero St., Salcedo Village, Makati City	Renato B. Magadia Director/Stockholder (Designated representative)	Filipino	22,000,000	7.187%
Common Shares – Class A	Pacific Concorde Corporation Room 402 Bencom Bldg., 146 West Avenue, Brgy. PHIL-AM, Quezon City	Lauraine San Roque Corporate Treasurer (Designated representative)	Filipino	15,833,408	5.172%

* Person designated to exercise investment power over the equity

** The clients of each company have the power to decide how their shares are to be voted. Natural persons authorized to vote the shares of PCD Nominee cannot be identified until the proxy shall have been appointed in writing by the stockholder himself or by his duly authorized attorney-in-fact.

2. Security Ownership of Management

As of **September 30, 2018** 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	113,064 / Direct	Filipino	0.037
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	Aristeo R. Cruz	100 / Direct	Filipino	0.000
Common–Class A	Ricardo M. Dela Torre	1 / Direct	Filipino	0.000
Common–Class A	James B. Palit-Ang	1 / Direct	Filipino	0.000
Common–Class B	Byoung Hyun Suh	1 / Direct	Korean	0.000
	Richard L. Ricardo	–	Filipino	0.000
	Annabelle T. Abunda	–	Filipino	0.000
Total		113,269		0.037

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”

(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	80	Filipino	Chairman of the Board and President
Lamberto B. Mercado, Jr.	53	Filipino	Director
Aristeo R. Cruz	52	Filipino	Independent Director
Reno I. Magadia	48	Filipino	Director
Ricardo M. Dela Torre	76	Filipino	Director
Nestor S. Romulo	73	Filipino	Director/Corporate Secretary
Byoung Hyun Suh	61	Korean	Independent Director
James B. Palit-Ang	54	Filipino	Treasurer
Richard L. Ricardo	55	Filipino	Vice President for External Affairs
Annabelle T. Abunda	42	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 (5) years and other directorships

Name	Corporation	Position
Renato B. Magadia Chairman of the Board & President Filipino 80 years old	MAHEC Philippine Estate Corp. <i>(listed company)</i> Waterfront Phils., Inc. <i>(listed company)</i>	Director Chairman of the Board/Director
Bachelor of Science in Business Administration <i>University of the Philippines</i> Certified Public Accountant	CPDSI FEZ and ZDI Asia Healthcare, Inc. Acesite (Phils.) Hotel Corp. <i>(listed company)</i> ZetaMark, Inc. Misons Industrial & Dev. Corp.	Chairman of the Board Chairman and President Chairman of the Board, Chairman and President, Vice Chairman Director

Business Experience for the Last Five (5) Years		
<p>Atty. Lamberto B. Mercado Jr. Director Filipino 53 years old Bachelor of Laws (L.L.B.) <i>Ateneo de Manila University</i> School of Laws Lawyer</p>	<p>Forum Pacific, Inc. MAHEC and CPDSI AHI, FEZ and ZDI Wellex Industries, Inc. Waterfront Philippines, Inc.</p> <p>Philippine National Construction Corporation Wellex Petroleum, Inc. Rexlon Realty Group, Inc. Wellex Mining Corporation</p>	<p>Director Director Director Director</p> <p>Director</p> <p>President/Director Assist. Cop. Sec./Director Corp. Secretary/Director</p>

<p>Aristeo R. Cruz Independent Director 52 years old</p> <p>Bachelor of Science in Commerce - Major in Accounting <i>De La Salle University</i></p> <p>Bachelor of Laws (LLB) <i>New Era University</i> CPA Lawyer</p>	<p>MAHEC Meycauayan College, Inc.</p> <p>Cruz Altares & Associates Law Office Liberty Bank (A Rural Bank), Inc.</p>	<p>Vice Chairman/Director Dean, College Department Founding and Managing Partner Assistant General Manager</p>
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<p>Reno I. Magadia Director 48 years old</p> <p>BA, TV and Radio Broadcasting <i>California State University</i> Master's Degree – Business Administration <i>Pepperdine University, Los Angeles, California</i></p>	<p>MAHEC Metro Combined Logistics Solutions, Inc. (formerly GAC Logistics, Inc.) Metro Combined Cargo Solutions, Inc. Misons Industrial & Development Corp.</p>	<p>Managing Director</p> <p>Managing Director</p> <p>Managing Director</p>
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<p>Ricardo M. Dela Torre Director Filipino 76 years old</p> <p>Advanced Management Program <i>Asian Institute of Management, Indonesia</i> Master's in Business Management <i>Asian Institute of Management, Philippines</i> Bachelor of Science in Accounting <i>Ateneo de Naga, Philippines</i></p> <p>Certified Public Accountant</p>	<p>Metro Alliance Holdings & Equities Corp. Metro Combined Logistics Solutions, Inc.</p>	<p>Director</p> <p>Director</p>
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<p>Nestor S. Romulo Corporate Secretary/Director Filipino 73 years old</p> <p>Bachelor of Laws (LLB) <i>University of the Philippines,</i></p> <p>Lawyer</p>	<p>MAHEC 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.,</p>	<p>Corporate Secretary/Director</p> <p>Chairman of the Board Chairman of the Board Director Partner</p> <p>Consultant</p> <p>Corporate Secretary</p> <p>Corporate Secretary Corporate Secretary Corporate Secretary Corporate Secretary</p>
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Name	Business Experience for the Last Five (5) Years	
<p>Byoung Hyun Suh Independent Director Korean 61 years old</p> <p>B.S. in Business Administration <i>Korea University, Seoul Korea</i></p>	<p>Forum Pacific, Inc. Pan Islands, Inc. Overseas Korean Traders Associations Wellex Industries Inc.</p> <p>Bonamis Pharmacy Phil's. Corp. Philippines Estates Corporation Metro Alliance Holdings & Equities Corp.</p>	<p>President President</p> <p>Independent Director</p> <p>President Independent Director Independent Director</p>

Name	Business Experience for the Last Five (5) Years	
<p>Richard L. Ricardo Director Filipino 55 years old Bachelor of Science Management Economics <i>Ateneo de Manila University</i></p>	<p>Forum Pacific, Inc. Wellex Industries, Inc. Waterfront Philippines, Inc.</p> <p>Acesite (Phils.) Hotel Corp.</p> <p>Philippine Estates Corporation</p> <p>The Wellex Group, Inc. Rexlon Realty Group, Inc. Westland Pacific Properties Corporation Wellex Petroleum, Inc. Wellex Mining Corporation</p>	<p>Treasurer/Director Corporate Affairs Officer/ Compliance Officer Vice President for Corporate Affairs/Compliance Officer Treasurer/Investor Relations Officer/Director Corporate Secretary/Director Vice President/Director Corporate Secretary/Director</p> <p>Director Assist. Corp. Sec./Director</p>

<p>James B. Palit-Ang Treasurer Filipino 54 years old</p> <p>B.S.B.A Accounting <i>Philippine School of Business Administration</i></p>	<p>MAHEC Noble Arch Realty & Construction Corp. Crisanta Realty & Development Corp. Philippine Estates Corp. <i>(listed company)</i> Forum Holdings Corp. Pacific Concorde Corp.</p>	<p>Chairman and President</p> <p>Vice President</p> <p>Director/VP-Property Management Chairman and President Chairman and President</p>
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<p>Annabelle T. Abunda Finance Head 42 years old</p> <p>Bachelor of Science in Accountancy <i>University of the Philippines in the Visayas</i></p> <p>Certified Public Accountant Licensed Real Estate Broker</p>	<p>Metro Alliance Holdings & Equities Corp. Pacific Rehouse Corporation</p> <p>Pacific Wide Holdings, Inc. Forum Pacific Inc. Wellex Industries Inc.</p>	<p>Finance and Administration Manager Accounting Manager Compliance Officer Compliance Officer</p>
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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 ensuing year:

- | | |
|------------------------------|--|
| (1) Renato B. Magadia | (5) Ricardo M. Dela Torre |
| (2) Reno I. Magadia | (6) Byoung Hyun Suh – Independent Director |
| (3) Lamberto B. Mercado, Jr. | (7) Aristeo R. Cruz – 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. Aristeo R. Cruz will be serving his 4th term as independent director while Mr. Byoung Hyun Suh, will be serving his 3rd term as independent director when elected during the annual meeting. A company's independent director shall serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from re-election as such. In the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting pursuant to SEC Memorandum Circular No. 4 Series of 2017 (Term Limit 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 and 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. Aristeo R. Cruz – Chairman
2. Lamberto B. Mercado, Jr. – Member
3. Nestor S. Romulo – Member

(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 September 30, 2018, 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 September 30, 2018, 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 September 30, 2018, 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 September 30, 2018, 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 47 to 52 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
 - As of the date of this report, the case is pending resolution with the Regional Court of Tagaytay, Branch 18 SCA# TG-05-2519. The Parent Company was able to get the formal trial started and on-going
- 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.
 - 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 2017 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 June 4, 2018, the Company's trading suspension was effectively lifted by PSE 5 days after the Company submitted its Comprehensive Disclosure covering all relevant information including, among others, a detailed narration of the events and material information commencing from the trading suspension in 2007, the subsequent related developments, and the Company's business plans.
- 4) Metro Alliance, Polymax & Wellex vs Phil. Veterans Bank (PVB), et.al.
- Civil Action with Damages to Nullify the Foreclosure of Property
 - The case is an injunction suit with damages filed on July 23, 2008 in RTC-Makati to nullify the foreclosure of Pasig lot securing a ₱350M loan obtained by the Plaintiffs.
 - The case was consolidated with other case of affiliated company with the same RTC. The consolidated case is now on appeal in the Court of Appeals. (see detailed discussion on page 47 to 52).

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, 2017 and 2016. Please refer to Note 27 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.

c. *Compensation of key management personnel follows:*

Particulars	<u>2017</u>	<u>2016</u>
Short-term employee benefits	₱ 17,938,847	₱ 9,241,800
Retirement benefits	-	-
Total	<u>₱ 17,938,847</u>	<u>₱ 9,241,800</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.

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

Particulars	Amount of Transactions Increase (Decrease)		Outstanding Receivable (Payable)	
	2017	2016	2017	2016
Advances (Asset Held for Sale)				
Polymax (special purpose entity) (Note 7)	₱ <u>44,038,948</u>	₱ <u>—</u>	₱ <u>371,371,502</u>	₱ <u>415,410,450</u>
Due from Related Parties				
<i>Operating subsidiary</i>				
MCLSI	₱ —	(250,000)	—	—
<i>Entity under common control</i>				
The Wellex Group, Inc.	(74,985)	(82,581)	5,258,609	5,333,594
Others	—	—	50,297	50,297
	₱ <u>(74,985)</u>	₱ <u>(332,581)</u>	₱ <u>5,308,906</u>	₱ <u>5,383,891</u>
Due to Related Parties				
<i>Entities under common control</i>				
Acesite (Phils.) Hotel Corporation	—	—	5,627,202	5,627,202
Wellex Mining Corp.	(225,000)	—	—	225,000
The Wellex Group, Inc.	(34,437,524)	7,261,349	—	34,437,525
Philippine Estate Corp.	—	28,000	—	—
<i>Other related parties</i>				
Stockholders	—	250,000	—	—
Others	5,047,642	1,200	711,629	(4,573,125)
	₱ <u>(29,614,882)</u>	₱ <u>7,540,549</u>	₱ <u>6,338,831</u>	₱ <u>35,716,602</u>
Accrued finance charges				
Acesite (Phils.) Hotel Corporation	₱ <u>—</u>	₱ <u>—</u>	₱ <u>—</u>	₱ <u>—</u>

Due from related parties pertains to unsecured and noninterest bearing advances granted by the Parent Company to related parties, which have no fixed repayment terms.

The amounts due to related parties pertain to unsecured and noninterest bearing 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. Due to WPI pertains to interest bearing advances to the Parent Company to support its working capital requirements and Petrochemical Project. These advances bear 2% interest per annum.

In 2015, the Parent Company was able to collect advances from Polymax Worldwide, Limited. The collections were used to settle its long outstanding liability to WPI with a principal balance of ₱365,933,148 and accrued finance charges of ₱7,132,891 at a discount of ₱17,482,601. This discount was recognized as Company's other income arising from a condoned liability in its books.

In 2016, the Parent Company was not able to collect advances from Polymax Worldwide, Limited.

In 2017, the Parent Company collected advances from Polymax Worldwide, Limited amounting to ₱44,038,948.

Ownership Structure and Parent Company

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 2017. 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	2018	-	-	-
		2017	-	-	-
		2016	-	-	-
2	James B. Palit-Ang Treasurer	2018	-	-	20,000
		2017	-	-	20,000
		2016	-	-	20,000
3	Nestor S. Romulo Corporate Secretary and Legal Counsel	2018	-	-	300,000
		2017	-	-	300,000
		2016	-	-	300,000
4	Aristeo R. Cruz Byoung Hyun Suh Independent Directors	2018	-	-	20,000
		2017	-	-	20,000
		2016	-	-	20,000
5	All directors and Officers as a Group unnamed	2018	-	-	340,000
		2017	-	-	340,000
		2016	-	-	340,000

Note: Renato B. Magadia's management fee was waived by him starting 2016 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 2017. The members of Compensation Committee are the following:

1. Reno I. Magadia – Chairman
2. Nestor S. Romulo – Member
3. Byoung Hyun Suh (independent director) – Member

(1) Standard Arrangement

Except for a nominal amount of per diem amounting to ₱10,000 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, is the external auditors of the Company for the year 2017. Said firm will be recommended to the stockholders for election as the Company's principal external auditors for the year 2018. 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, 2014-2016, and Mr. Alfonso L. Cay-an of Valdes Abad & Associates for calendar year 2017- 2018.

(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 for Metro Alliance are ₱406,560 for the year 2017 and ₱390,400 for 2016 for expressing an opinion on the financial statements and assistance in preparing the annual income tax return. No other service was provided by external auditors to the Company for the calendar year 2017.

(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.

(2) 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, 2017, 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, 2017 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 November 17, 2017 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 November 18, 2017 by a majority vote of the stockholders.
- (d) Ratification of the Board of Directors' action to call subscription to the Company's unsubscribed capital stock.
- (e) Approval of the amendment of the Article NINTH of the Articles of Incorporation (Declassification of Common Class A and B shares resulting to one Common shares) and approval of the amendment of the Article SIXTH of the Articles of Incorporation to increase number of directors from Seven (7) to Nine (9).
- (f) Election of the members of the Board of Directors for the ensuring year
- (g) 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:

November 17, 2017

Approval of the result of the organization meeting of the Board of Directors which concluded with the following elected officials: Mr. Renato B. Magadia as Chairman of the Board and President; Mr. James B. Palit-Ang as Corporate Treasurer; Atty. Nestor S. Romulo as Corporate Secretary and Atty. Lamberto B. Mercado, Jr. as Compliance Officer.

Approval of the result of the annual stockholders' meeting.

April 11, 2018

Approval of parent audited financial statements for the year ended December 31, 2016 including independent auditors' report.

April 16, 2018

Approval of the audited financial statements for the year ended December 31, 2016 including independent auditors' report.

May 8, 2018

Postponement of the 2018 Annual Stockholders' Meeting

August 15, 2018

Approval to amend Article IX of the Company's Articles of Incorporation in order to Reclassify Common Class A and Common Class B shares into one Common Class Share.

September 18, 2018

Setting the date of the annual stockholders' meeting on November 16, 2018 at 3:00 in the afternoon at One Café and Events Place, 6th Flr. One Corporate Centre, Doña Julia Vargas cor. Meralco Ave., Ortigas Center, Pasig City. The Board also set October 17, 2018 as record date for purposes of determining the shareholders entitled to receive Notice of Meeting and to vote and be elected during the 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 was approved by the Securities and Exchange Commission last March 14, 2016, as approved by more than 2/3 of the outstanding capital stock of the Corporation on 2014 annual stockholders' meeting, there are no amendments made to the Corporation's charter and by-laws for the year 2015 and as of the date of this report.

Item 19. Voting Procedures

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.

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.

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 Pasig on October 5, 2018.

METRO ALLIANCE HOLDINGS & EQUITIES CORP.

For:


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

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Aristeo R. Cruz**, Filipino, of legal age and a resident of No. 4 Malhacan Road , Meycauayan City, Bulacan, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of **Metro Alliance Holdings & Equities Corp.** and have been its independent director since September 2015.
2. I am affiliated with the following companies or organizations:

COMPANY	POSITION	PERIOD OF SERVICE
Meycauayan College ,Inc.	Vice Chairman/Director Dean, College Department	December 2011 – Present November 2007 – Present
Cruz Altares & Associates Law Offices (formerly Cruz, Castro & Altares Law Office)	Founding and Managing Partner	July 2007 – Present
Liberty Bank (A Rural Bank) Inc.	Vice-President/ Compiler/Security Officer	February 2008 – Present
Justino Emilia Realty Corporation	Corporate Secretary	2008 – Present
Statosphere Realty & Development Corp.	President	2011 – Present
Phil-Star Innovation Realty Corporation	Corporate Secretary	2011 – Present
Water Street Realty Corporation	President	2012 – Present
Jose & Luz Locsin Foundation	President / Trustee	2012 – Present

3. I possess all the qualification 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, its Implement Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of **Metro Alliance Holdings & Equities Corp.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of **Metro Alliance Holdings & Equities Corp.**, of any changes in the abovementioned information within five days from its occurrence.

Done, this _____ day _____, at _____.

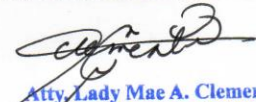


ARISTEO R. CRUZ

Affiant

SUBSCRIBED AND SWORN to before me this 08 OCT 2018 day of _____ at Pasig City
 affiant personally appeared before me and exhibited to me his TIN NO: 108-672-299 issued at Bureau of Internal Revenue.

Doc. No. 188 ;
 Page No. 39 ;
 Book No. 2 ;
 Series of 2018;



Atty. Lady Mae A. Clemente
 PTR No. 3983436; 1-24-18 Pasig
 IBP Membership No. 029705; RSM
 Roll No. 69675
 MCLE Compliance No VI-0003249
 Appointment No: 207 (2017-2018)
 35th Floor One Corporate Centre,
 Julian Vargas Avenue corner Meralco Avenue,
 Ortigas Center, Pasig City

CERTIFICATION OF INDEPENDENT DIRECTOR

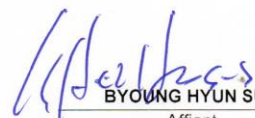
I, **Byoung Hyun Suh**, Korean, of legal age and a resident of Unit 2006B The Salcedo Place, Tordesillas St., Salcedo Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that;

1. I am an independent director of **Metro Alliance Holdings & Equities Corp.** and have been its independent director since 2016.
2. I am affiliated with the following companies or organizations:

COMPANY	POSITION	PERIOD OF SERVICE
Pan Islands, Inc.	President	February 1995 - present
World OKTA (Overseas Korean Traders Association) Federation	Director	November 2004 - present
Forum Pacific, Inc.	Independent Director	June 2011 - present
Wellex Industries, Inc.	Independent Director	June 2011 - present
Bonamis Pharmacy Phil's Corp	President	October 2011 - present
Philippine Estates Corporation	Independent Director	2016 - present


3. I possess all the qualification 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, its Implement Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of **Metro Alliance Holdings & Equities Corp.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of **Metro Alliance Holdings & Equities Corp.**, of any changes in the abovementioned information within five days from its occurrence.

Done, this _____ day _____, at _____.


BYOUNG HYUN SUH
 Affiant

SUBSCRIBED AND SWORN to before me this 8 OCT 2018 day of Pasig City at Pasig City affiant personally appeared before me and exhibited to me his TIN NO: 122-963-522 issued at Bureau of Internal Revenue.

Doc. No. 189
 Page No. 37
 Book No. 2
 Series of 2018;


Atty. Lady Mae A. Clemente
 PTR No. 3983436; 1-24-18 Pasig
 IBP Membership No. 029705; RSM
 Roll No. 69675
 MCLE Compliance No VI-0003249
 Appointment No. 207 (2017-2018)
 35th Floor One Corporate Centre,
 Julian Vargas Avenue corner Meralco Avenue,
 Ortigas Center, Pasig City

CERTIFICATION


I, NESTOR S. ROMULO, of legal age, Filipino, with offices at 35th Floor, One Corporate Center, Julia Vargas Ave. corner Meralco Ave., Ortigas Center, Pasig City, after being duly sworn to in accordance with law, do hereby certify:

I am the duly Corporate Secretary of METRO ALLIANCE HOLDINGS AND EQUITIES CORPORATION (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal offices at 35th Floor, One Corporate Center, Julia Vargas Ave. corner Meralco Ave., Ortigas Center, Pasig City, do hereby certify that:

All incumbent directors and officers of the Corporation are not connected with any government agency or instrumentality, except for Lamberto B. Mercado, Jr. Attached herewith is a copy of his Consent Letter for your reference.


I execute this Certification to comply with the requirements of the Securities and Exchange Commission.

IN WITNESS WHEREOF, this Certificate has been signed this 09 of MANDALUYONG CITY 2018 in MANDALUYONG CITY City, Philippines.


NESTOR S. ROMULO
Corporate Secretary

SUBSCRIBED AND SWORN to before me on this 09 at MANDALUYONG CITY, affiant exhibiting to me his/her Driver's License No. N17-76-011116 Expiring on 4-23-19.

Doc. No. 297
Page No. 60
Book No. 125
Series of 2018.


ATTY. JAMES K. ABUGAN
NOTARY PUBLIC
Until Dec. 31, 2018
IBP No. 021498/ 1-5-2018
Rural Chapter
Roll No. 26890
MCLE No. V-0004484-10/31/2014
PTR # 3369955 - 01/05/2018
Mandaluyong City
TIN # 116-239-956
Tel. 631-40-90



**PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION**

06 October 2017

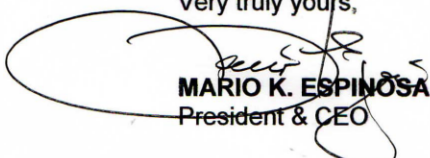
ATTY. LAMBERTO B. MERCADO JR.
Board of Directors Member
PNCC

Subject: **PERMISSION TO OCCUPY MEMBERSHIP
IN THE BOARD OF DIRECTORS**

Dear Atty Mercado:

Anent your request for written permission in occupying membership in the board of directors of other corporations, authority is granted upon you to engage as such director, provided that such engagement does not conflict with your official function as member of the PNCC Board.

Very truly yours,


MARIO K. ESPINOSA
President & CEO

**METRO ALLIANCE HOLDINGS & EQUITIES CORP.
MANAGEMENT REPORT
AS REQUIRED BY SRC RULE 20
INCLUDING FINANCIAL INFORMATION FOR 2ND QUARTER OF 2017**

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 cease 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 was approved by the Securities and Exchange Commission last March 14, 2016.

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 20% of Polymax’s interest which is valued at ₱371 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 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 Company. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

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 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. 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 was 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

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 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), Fresenius Medical, Zuellig Pharma Corporation (ZPC), ZPC – Repacking (ZPC-R), El Laboratories, Alaska and Lixil Phils. (American Standard). Revenue contribution of each principal for the year 2017 is as follows:

Principal	Service Income	% to Total
Zuellig Pharma Corp.	61,781,465	27.90%
Alaska Milk Corporation	39,679,522	17.92%
Fresenius Medical Care Philippines, Inc.	25,131,483	11.35%
Johnson & Johnson (Phils.), Inc.	20,064,475	9.06%
Hamlin Industrial Corporation	16,222,253	7.33%
EL Laboratories Inc.	13,211,885	5.97%
Interphil	11,856,210	5.35%
Rustans Supercenters, Inc.	7,642,823	3.45%
Fonterra Brands Philippines, Inc.	7,398,801	3.34%
Mitsubishi Motors Philippines Corp.	6,891,274	3.11%
Lixil Philippines Ltd., Co.	2,968,578	1.34%
The Table Group Inc.	1,401,451	0.63%
Benby Logistics Solutions Inc.	1,231,733	0.56%
SCC Innovasia Global Inc.	1,108,463	0.50%
Others	4,842,359	2.19%
Total	221,432,775	100.00%

(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 rate 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, 2017):

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	410	17	8	435
Administrative	8	3	3	14
Total	418	20	11	449

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

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 Ave., 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 was approved by the Securities and Exchange Commission on March 14, 2016. Monthly rental for the leased premises amounts to ₱21,000, exclusive of VAT. The term of the lease is from May 1, 2016 until April 30, 2018 and shall be renewable for another period of two (2) years with adjustments in the rental rates as agreed by the parties. There are no plans to acquire properties in the next 12 months.

MCLSI

- a) During the year, MCLSI renewed the lease contract for its office space. The term of the contract is (1) year commencing of February 1, 2017 and ending on January 31, 2018, renewable subject to the terms and conditions as may be mutually agreed upon. Monthly rental payments amounted to ₱71,150.
- b) MCLSI entered in lease contract for a warehouse and office building located at warehouse #6 along E. Rodriguez St., Tunasan, Muntinlupa City. The lease term is for a period of two (2) years commencing on April 14, 2014 until April 14, 2016 with monthly rental payments of ₱233,835. The contract was renewed on February 12, 2016 for another 2 years commencing on April 15, 2016 and expiring on April 14, 2018 with a new monthly rental amounted to ₱257,219. Rental deposits paid amounted to ₱771,655 equivalent to three (3) months rental to answer for any of its obligations and to be refunded upon the expiration of lease term after the termination of the contact.

- c) MCLSI entered into new lease contracts for a warehouse, and parking and open space located at 21st St Golden Mile Business Park, Brgy, Maduya Carmona, Cavite. The lease term is for a period of three (3) years commencing on November 3, 2015 until November 2, 2018 with monthly rental payments of ₱330,691. Rental deposits amounted to ₱981,764 equivalent to three (3) months rental to answer for any of its obligation and to be refunded upon the expiration of the contract.
- d) MCLSI entered into another lease contract for warehouse, and parking and open space located at 21st Golden Mile Business Park, Brgy. Maduya Carmona, Cavite. The lease term is also for three (3) years commencing on October 12, 2015 until October 11, 2018 with monthly rental payments of ₱350,162. Rental deposits amounted to ₱927,171 equivalent to three (3) months rental to answer for any of its obligation and also to be refunded upon the termination of the lease contract.
- e) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at 21st St Golden Mile Business Park, Brgy. Maduya Carmona, Cavite with a covered area of 1,965 sqm. The lease term is for a period of three (3) years commencing on October 16, 2016 and automatically terminating on October 15, 2019 with monthly rental payments of ₱336,408. A 5% escalation will start on the third year. Rental deposits amounted to ₱943,200 and to be refunded upon the expiration of the contract.
- f) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at 21st St. Golden Mile Business Park, Brgy. Maduya Carmona, Cavite with a covered area of 1,877sqm. The lease term is for a period of three (3) years commencing on November 7, 2016 and automatically terminating on November 6, 2019 with monthly rental payments of ₱321,342. A 5% escalation will start on the third year. Rental deposits paid amounted to ₱900,960 to answer for any of its obligation and to be refunded upon the expiration of the contract.
- g) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at Block 8 Lot 10, Golden Mile Business Park, Brgy. Maduya Carmona, Cavite with a covered area of 2,522 sqm and open area of 1,045 sqm. The lease term is for a period of three (3) years commencing on March 1, 2016 and automatically terminating on February 29, 2019 with monthly rental payments of ₱390,611 for the first two years and ₱411,170 for the third year. Rental deposits paid amounted to ₱1,046,280 to answer for any of its obligation and to be refunded upon the expiration of the contract.
- h) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at Elisco Street, Brgy. Kalawan, Pasig City, with a covered area of 2,460 sqm and open area of 1,196 sqm. The lease term is for a period of three (3) years commencing on November 26, 2016 and expiring on the midnight of November 25, 2019 with monthly rental payments of ₱511,460 with an escalation of 7% starting on the second year. Upon execution of the contract, the Company had paid three months' advance rental amounted to ₱1,534,380 and another two months' security deposit amounted to ₱956,000.

MCLSI also leases warehouse equipment. Lease term is for two (2) years, renewable at the option of both parties. Details of the lease as of September 30, 2018 are as follows:

Vendor	Warehouse Equipment	Location	Monthly Lease inclusive of 12% VAT	Lease Term
Pistons & Rings	Komatsu Electric Serial :61389 (1 unit)	Alaska - Carmona	PHP 38,000.00	November 1, 2016 and expiring on October 31, 2018
	Toyota Electric Serial : BRU2-VU76671-1 (1unit)	Alaska - Carmona	PHP 40,000.00	November 1, 2016 and expiring on October 31, 2018
	Toyota Electric Serial : 6FBL18-11106 (1 unit)	Alaska - Carmona	PHP 42,000.00	November 1, 2016 and expiring on October 31, 2018
	Nichiyu Electric Serial : 241AA149 (1 unit)	Alaska - Carmona	PHP 33,000.00	November 1, 2016 and expiring on October 31, 2018
Pistons & Rings	Toyota Reachtruck Serial 6FBR615	Kalawaan Pasig City	PHP 42,000.00	November 1, 2016 and expiring on October 31, 2018
	Tailift Diesel 3.0 tons	Kalawaan Pasig City	PHP 39,200.00	July 1, 2017 and expiring on October 31, 2018
Pistons & Rings	Toyota Reachtruck 2.0 Serial : 6FBR520-10366	ZPC Tunasan Warehouse	PHP 45,000.00	November 1, 2016 and expiring on October 31, 2018
	Shinko FB20 Serial : 168487	ZPC Tunasan Warehouse	PHP 45,000.00	November 1, 2016 and expiring on October 31, 2018
	Nichiyu Reachtruck 1.5 Serial : 152AE03430	ZPC Tunasan Warehouse	PHP 33,600.00	November 1, 2016 and expiring on October 31, 2018
	TCM FB15-6 1.5 tons Serial : 77H02392	Tunasan Warehouse 6	PHP 39,200.00	November 1, 2016 and expiring on October 31, 2018
Pistons & Rings	Nichiyu Reachtruck Model : FBRAWA15-50SB-550M	Parañaque	PHP 39,000.00	November 1, 2016 and expiring on October 31, 2018
	Nichiyu Reachtruck Model : FBRAWA18-63-550MCS	Parañaque	PHP 39,000.00	November 1, 2016 and expiring on October 31, 2018
	Nichiyu Reachtruck Model : FBRAWA13-75-530	Parañaque	PHP 28,000.00	November 1, 2016 and expiring on October 31, 2018
	Toyota Reachtruck Model : FBR10	Parañaque	PHP 10,000.00	November 1, 2016 and expiring on October 31, 2018
Pistons & Rings	TCM Reachtruck Serial : 78L00665	Golden Mile- Carmona	PHP 44,800.00	November 1, 2016 and expiring on October 31, 2018
	TCM Diesel Serial : 22B28886			
Global Equipment	Unit Crown Model RR5220-35TT270	ZPC Tunasan Warehouse	PHP 50,000.00	January 12, 2018 and expiring on January 12, 2019
YALETRAK PHILIPPINES INC	2 units "Yale" narrow aisle double reach truck model	Brenntag - San Pedro	PHP 56,000.00	June 16, 2018 and expiring on May 15, 2020
	1 unit "Yale" counter balance electric forklift truck model	Brenntag - San Pedro	PHP 50,000.00	June 16, 2018 and expiring on May 15, 2020

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, 2017, and the Unaudited 2nd Quarter 2018 Financial Statements are herein attached.

a. Plan of Operation

With the resumption of the Company's share trading at the Philippine Stock Exchange, the Company is now poised to explore new business opportunities. The Company has started to evaluate its remaining assets; review all pending legal cases; and settle and resolve its outstanding issues with creditors. The Company 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.

The Company still holds 20% interest in NPC Alliance Corporation (NPCAC) as of December 31, 2017. The Board will discuss how best to deal with this remaining investment, and discussions continue with the Iranian partners. Recently, the petrochemical plant has completed studies of various options on how to proceed with its future operation to prevent further losses in operating the company under present market conditions. Among the options being evaluated by the majority controlling interest in NPCAC is to consider the proposal of MAHEC/Polymax to take over the plant with its potential Chinese partner.

The Board has outlined possible target business projects, but has precluded investments in the mining industry, since the target project did not pass the screening conducted by the DENR.

MAHEC's remaining operating subsidiary, Metro Combined Logistics Solutions, Inc. (MCLSI), is steadily growing with additional business from its existing principals. The Company is also exploring business opportunities in the transport field, including computer app solutions, warehousing and cold storage; in medical distribution and pharmaceutical business logistics, operation of hospice care and management of medical clinics, importation of medical equipment; and also in document storage, car parking, sea travel, river ferry and airport/seaport terminal management.

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) 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;
- b) Pressing the majority shareholders of NPCA to write down the obligation of NPCA to its principal shareholders to pave the way for restructured financial statements;
- c) Continuous filings with relevant government agencies;
- d) Maintaining a lean organization to sustain its operation during the said period;

As events have turned out, it is important to note that the decade long hiatus in the trading of the company shares at the Philippine Stock Exchange did not dampen the investor confidence in the Company and recent share prices have held ground compared to the closing share prices prior to May 17, 2007, the last trading date prior to the trading suspension.

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

The Company has taken steps to be in sync with progressive business practices and as such, has moved to declassify its Class A and Class B Common shares into a single class. Similarly, the number of board seats has been expanded from seven to nine, which is more conducive for wider representation. The company has, for the time being, set aside its pending application with the SEC to increase its capital stock to 5 billion at a par value of P1.00 per share. The company will increase its capital in three phases considering that it still has unissued authorized capital of 893,877,551 common shares.

First, a capital call to existing stockholders has been made for the unissued 893,877,551 common shares at the par value of P1.00 per share in order to boost the capital structure of the Company. This will fully exhaust the still unissued shares at its par value.

These developments took effect after the trading suspension of the shares was lifted at the Philippine Stock Exchange in July 2018. The resolutions covering the above are to be ratified at the forthcoming stockholders' meeting.

Once the authorized common shares would have been fully subscribed and paid up, the next phases of the capital reorganization will commence, and the pending application with the SEC to increase its capital stock to 5 billion would be revisited, in order for the company to meet its projected investments program.

If everything proceeds as planned, the Company is expected to satisfy its cash requirements to finance its projected plans and investments in the new ventures.

The company has started to close its non-operating subsidiaries, and eliminate these from its future reporting responsibilities. The elimination will not have any significant effect on the financial statements, as reserves were all provided for these companies to be non-operational. These actions will further enhance the ability of the company to attract new investors to consider an equity infusion into the company and/or a joint venture.

Realization of Outstanding Receivables from Polymax Worldwide in the Amount of Php371,371,502.

Assuming that the 4-way negotiations with the Chinese bank, the Chinese petrochemical firm and the Iranians will bog down, there are other alternatives to address the issue. In order that this outstanding receivable will be fully recovered, a payment via dacion of the remaining 20% NPCA shares held by Polymax in NPC Alliance may be assigned to Metro Alliance, thus, making the company the direct shareholders of NPCA.

The estimated present value of the 20% NPCA shares is placed at \$15 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 Acquisition

The Group will make purchases of equipment and machineries in the future if and when contemplated investment programs will materialize. This is especially true in the logistics sector are needed in order to increase the Company's handling, delivery and tracking capabilities.

b. Management's Discussion and Analysis

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 income of ₱5.7 million in 2017 as against ₱3.4 million net loss in 2016. Net income in 2017 is mainly attributable to the unrealized gain on available-for-sale investments in a publicly-listed company whose fair value is based on published prices on Philippine Stock Exchange.

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

Performance indicator	December 31		
	2017	2016	2015
Earnings (loss) per share (in Php)	0.019	(0.011)	(0.011)
Return (loss) on average equity	0.025	(0.015)	(0.011)
Debt to total assets ratio	0.440	0.502	0.495
Debt to equity ratio	0.787	1.009	0.978

MCLSI

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)

MCLSI's profitability is more favorable in 2017 as compared to 2016. This is mainly due to the increase in the Company's revenue. The favorable profitability is attributable to a 51% increase in trucking fees and 62% increase in service fees.

Comparative analysis of MCLSI's key performance indicators follows:

Performance indicator	December 31		
	2017	2016	2015
<u>Profitability</u>			
a. Gross profit margin	0.209	0.217	0.162
b. Net profit margin	0.073	0.071	0.024
c. Return on assets	0.118	0.100	0.036
d. Return in equity	0.280	0.302	0.117
<u>Liquidity</u>			
a. Current ratio	1.635	1.394	1.494
b. Receivables turnover	3.006	2.863	3.195
c. Days' sales in receivables	121	127	114

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.

Financial Highlights

A. Full Calendar Year

The following table shows the consolidated financial highlights of the Group for the years ended December 31, 2017, 2016 and 2015:

<i>Balance Sheet</i>	As of December 31 (In Php'000)		
	2017	2016	2015
Current assets	168,259	156,957	132,732
Noncurrent assets	411,703	436,189	430,692
Total Assets	579,962	593,146	563,424
Current liabilities	447,666	489,803	466,291
Noncurrent liabilities	4,747	6,171	8,998
Total Liabilities	452,413	495,974	475,289
Stockholder's Equity	127,549	97,172	88,135
Total Liabilities and Stockholder's Equity	579,962	593,143	563,424

<i>Income Statement</i>	As of December 31 (In Php'000)		
	2017	2016	2015
Sales and services	224,221	180,131	143,344
Cost of sales and services	(177,450)	(141,009)	(120,195)
Gross profit	46,771	39,122	23,149
Other expenses – net	(27,637)	(29,262)	(19,667)
Net income before tax	19,134	9,860	3,482
Income tax – Current	(8,031)	(7,481)	(4,359)

Deferred	(530)	3,403	662
Net income (loss) after tax	10,573	5,782	(215)
Net income (loss) attributable to:	-		
Equity Holders of the Parent Company	3,539	1,289	(1,895)
Non-controlling interest	7,034	4,493	1,680
	10,573	5,782	(215)
Earnings (Loss) Per Share Attributable to holders of Parent Company	₱0.012	₱0.004	(₱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.

Calendar Year Ended December 31, 2017 vs. Calendar Year Ended December 31, 2016

CHANGES IN RESULTS OF OPERATION

Net Income and Earnings (Loss) Per Share

The Group registered a consolidated net income of ₱10.6 million in 2017 as against net income of ₱5.8 million in 2016 or an increase in net income by ₱4.8 million or 83%. Earnings per share for 2017 and 2016 for equity holders of the Parent Company are ₱0.012 and ₱0.004, respectively. The increase in net income was mainly due to the increase in service income by ₱44 million or 24% million due to entry of new clients and principals of MCLSI from its new subsidiary, thus, increasing its service and trucking fees; 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 ₱224.2 million and ₱180.1 million for the years ended December 31, 2017 and 2016. The increase in revenue of ₱44.1 million or 24.48% in 2017 is due to additional businesses from MCLSI's existing principal resulting to new service contracts on its logistics and warehousing operations and clients of its new subsidiary.

Cost of Sales and Services

Total cost of sales and services for the years 2017 and 2016 amounted to ₱177.45 million and ₱141 million, respectively. The increase of ₱36.4 million or 25.84% is mainly attributable to increase in personnel costs of ₱33.58 or 62.19% and increase in rent and utilities of ₱7.8 million or 24.06%. This movement in the Group's cost of sales and services is in proportion with its increase in revenue.

Other Income (Expenses) - Net

Other income (expenses) is composed of administrative expenses, interest income, dividend income, interest expense and other income not normally earned from the ordinary course of business. Other income (expenses) for the years 2017 and 2016 amounted to ₱27.6 million and ₱29.3 million, respectively or a decrease of ₱1.6 million or 5.55%. The decrease is a net effect of decrease in administrative expenses of ₱1.9 million or 6.38%, increase in other income of ₱0.23 million or 9.96% and increase in finance cost of ₱0.28 million,

CHANGES IN FINANCIAL CONDITION

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. The remaining 5% was subsequently sold in 2012.

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 20% of Polymax's interest which is valued at ₱371 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 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. 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 2017 and 2016 amounted to ₱36.5 million and ₱23.3 million, respectively. Increased by ₱13.2 million or 56.62% in 2017 is net effect of net cash received from operating activities amounting ₱14.2 million, net cash from investing activities of ₱28.1 million and net cash provided for financing activities of ₱29.1 million.

Receivables amounted to ₱116.8 million in 2017 and ₱109.6 million in 2016 (net of allowance for doubtful accounts of ₱146.6 million and ₱150.4 million as of December 31, 2017 and 2016, respectively). Net trade and other receivables increased by ₱2.8 million or 3.75%, increase in other receivables ₱0.6 million or 1.79% and decrease in due from related parties ₱0.1 million or 1.39%. Other receivables pertain to advances subject for liquidation. The Group reviews the carrying amount of receivables at each balance sheet date to reduce the balance to their estimated recoverable amounts.

Other current assets amounted to ₱14.9 million in 2017 and ₱24 million in 2016 (net of allowance for probable losses of ₱12.9 million for both years 2017 and 2016). In 2017, the decrease by ₱9 million is net effect of decrease in creditable withholding taxes ₱5.5 million, increase in input taxes ₱0.6 million, increase in refundable deposits ₱2.4 million and decrease in other prepayments ₱5.9 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 ₱371.4 million and ₱415.4 for years ended December 31, 2017 and 2016 (which constitute 64% and 70% of the Group's total assets as of December 31, 2017 and 2016, 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).

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.

On December 16 and 22, 2015, the Company was able to collect advances from Polymax amounted to ₱300 million and ₱73 million, respectively.

During 2017, the Company made additional collections of the advances from Polymax amounting to ₱44,038,948.

Available-for-sale-investments amounted to ₱26.7 million in 2017 and ₱4.8 million in 2016. This account includes shares of stocks owned in publicly-listed company and non-listed entity. The ₱21.8 million movement in 2017 pertains to the increase in the value of shares of stock in the market and additional investment made in a corporation engaged in real estate development. The fair value of these shares has been determined directly by reference to published prices in the active market. Accumulated AFS reserve amounted to ₱10.4 million and ₱1.1 million as of December 31, 2017 and 2016, respectively.

Property, plant and equipment-net amounted to ₱4.4 million in 2017 and ₱2.6 million in 2016. Net increase in property, plant and equipment in 2017 by ₱1.8 million pertains to net effect to depreciation charge for the year amounting to ₱1.9 million and acquisition of assets amounting to ₱3.7 million.

The Group has no outstanding contractual commitments to acquire certain property and equipment as of December 31, 2017 and 2016. In 2017 and 2016, 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 for the years 2017 and 2016 amounted to ₱4.7 million and ₱7.4 million, respectively. This account consists of intangible asset pertaining to non-exclusive software license cost for use in MCSLI's warehouse management system and non-current portion of refundable deposits.

Liabilities

Current Liabilities

Accounts payable and accrued expenses for the years 2017 and 2016 amounted to ₱441.3 million and ₱454.1 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 net decrease for year 2017 by ₱12.8 million or 2.81% is attributable to increase in trade payables ₱14.4 million, payment of other current liabilities ₱10.9 million and accrual of legal and professional fees, personnel cost, trucking charges, pallet rental charges, utilities and other employee-related incentives fixed expenses of the Parent Company and MCLSI ₱16.2 million.

Due to related parties for the years 2017 and 2016 amounted to ₱6.3 million and ₱35.7 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.

Accrued retirement benefit cost amounted to ₱4.7 million and ₱6.7 million as of December 31, 2017 and 2016. 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 2017 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.

Calendar Year Ended December 31, 2016 vs. Calendar Year Ended December 31, 2015

CHANGES IN RESULTS OF OPERATION

Net Income and Earnings (Loss) Per Share

The Group registered a consolidated net income of ₱5.8 million in 2016 as against net income of ₱2.0 million in 2015 or an increase in net income by ₱3.8 million or 190%. Earnings (loss) per share for 2016 and 2015 for equity holders of the Parent Company are ₱0.004 and (₱0.003), respectively. The increase in net income was net effect of (a) increase in service income by ₱37 million or 25.68% million due to entry of new clients and principals of MCLSI from its new subsidiary, thus, increasing its service and trucking fees; (b) decrease in other income by ₱16.2 million or 98.78% due to recognized income in 2015 from condoned liability of the Parent Company; and (c) increase in operating expenses by ₱3.5 million or 13.46% due to impairment loss on long outstanding receivables. 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 ₱180.1 million and ₱143.3 million for the years ended December 31, 2016 and 2015. The increase in revenue of ₱36.8 million or 25.68% in 2016 is due to additional businesses from MCLSI's existing principal resulting to new service contracts on its logistics and warehousing operations and clients of its new subsidiary.

Cost of Sales and Services and Operating Expenses

Total cost and operating expenses for the years 2016 and 2015 amounted to ₱170.5 million and ₱146.2 million, respectively. The increase of ₱24.3 million or 16.62% is attributable to net effect of (a) increase in delivery cost of products and services in 2016 (₱20.8 million or 17.30%) which is in proportion to the increase in sales of services; (b) increased in general and administrative expenses of operating and non-operating subsidiaries by ₱3.5 million or 13.46% (increased in representation expense by ₱1.5 million, decreased in professional fees by ₱0.2 million, increased in personnel costs by ₱3.7 million, and decrease in impairment loss on long outstanding receivables by ₱0.9 million, increased in rent and utilities expenses by ₱0.2 million, increased in communication and supplies by ₱0.5 million, increased in taxes and licenses by ₱0.5 million and decreased in other administrative expenses by ₱1.8 million.

Other Income (Expenses) - Net

Other income (charges) is composed of interest income, dividend income, interest expense and other income not normally earned from the ordinary course of business. Other income (charges) for the years 2016 and 2015 amounted to ₱0.2 million and (₱16.7 million), respectively or an increase of ₱16.2 million or 101.20%. The increase pertains to other income which came from condoned liability of the Parent Company. Finance cost charged by affiliated companies on the long outstanding payable of the parent company amounting to ₱7.1 million for 2015. Loan related to this finance cost was fully settled at the end of the year 2015.

CHANGES IN FINANCIAL CONDITION

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. The remaining 5% was subsequently sold in 2012.

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 20% of Polymax's interest which is valued at ₱450 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 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. 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 2016 and 2015 amounted to ₱23.3 million and ₱15.7 million, respectively. Increased by ₱7.6 million or 48.41% in 2016 is net effect of net cash received from operating activities due to increase in revenue from MCLSI operations amounting ₱3.7 million, net cash used in investing activities of (₱0.7 million) (amount attributable to interest received and acquisition of property and equipment) and net cash provided by financing activities of (₱4.6 million) (amount attributable to advances from affiliates).

Receivables amounted to ₱109.6 million in 2016 and ₱92.9 million in 2015 (net of allowance for doubtful accounts of ₱150.4 million and ₱147.0 million as of December 31, 2016 and 2015, respectively). Net trade and other receivables went up by ₱16.7 million or 17.98% due to the net effect of increase in credit sales from MCLSI operations (₱20.9 million or 25.68%), decrease in other receivables (₱0.6 million or 1.61%), decrease in due from related parties (₱0.3 million or 5.26%) and additional provision for doubtful accounts of ₱3.3 million in 2016. 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.

Other current assets amounted to ₱24 million in 2016 and ₱24.1 million in 2015 (net of allowance for probable losses of ₱12.2 million for both years 2016 and 2015). In 2016, the decrease by ₱0.1 million is net effect of decrease in creditable withholding taxes (₱4.7 million), increase in input taxes (₱0.8 million), decrease in refundable deposits (₱1.1 million) and increase in other prepayments (₱4.9 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 ₱415.4 million for both years ended December 31, 2016 and 2015 (which constitute 74% of the Group's total assets as of December 31, 2016 and 2015, 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). A decrease of ₱373.2 million in 2015 pertains to collections from Polymax which is directly applied or paid to the outstanding obligations of the Parent Company to affiliated company.

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 ₱4.8 million in 2016 and ₱4.9 million in 2015. This account includes shares of stocks owned in publicly listed companies. The ₱0.1 million decrease in 2016 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 ₱1.1 million and ₱1.2 million as of December 31, 2016 and 2015, respectively.

Property, plant and equipment-net amounted to ₱2.6 million in 2016 and ₱3.8 million in 2015. Net decrease in property, plant and equipment in 2016 by ₱1.2 million pertains to net effect to depreciation charge for the year amounting to ₱1.8 million and acquisition of transportation and office equipment of MCLSI amounting to ₱0.7 million.

The Group has no outstanding contractual commitments to acquire certain property and equipment as of December 31, 2016 and 2015. In 2016 and 2015, 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 for the years 2016 and 2015 amounted to ₱7.4 million and ₱2.5, respectively. This account consists of intangible asset pertaining to non-exclusive software license cost for use in MCLSI's warehouse management system and deferred tax assets.

Liabilities

Accounts payable and accrued expenses for the years 2016 and 2015 amounted to ₱429.5 million and ₱410 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 net increase for year 2016 by ₱19.5 million or 4.76% is attributable to (a) increase in trade payables (₱15.8 million) (b) payment of other current liabilities (₱12.5 million); (c) accrual of legal and professional fees, personnel cost, trucking charges, pallet rental charges, utilities and other employee-related incentives fixed expenses of the Parent Company and MCLSI (₱16.2 million).

Due to related parties for the years 2016 and 2015 amounted to ₱60.3 million and ₱56.3 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 increase by ₱4 million in 2016 is due advances from affiliated companies for working capital requirements.

Accrued retirement benefit cost amounted to ₱6.7 million and ₱8.9 million as of December 31, 2016 and 2015. 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 2016 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. The decrease by ₱2.2 million or 24.72% in 2016 pertains to retirements benefits paid to its retired employees.

Summary of Material Trends, Events and Uncertainties

The accompanying consolidated financial statements have been prepared assuming that the Parent Company will continue as a going concern. As of December 31, 2017 and 2016, the Parent Company has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₱371.4 million and ₱415.4 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, 2017 and 2016, 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 12.

As explained in Note 12, 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.

In 2017, the Parent Company were able to collect partially the advances from Polymax amounting to ₱44,038,948.

The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. As explained in Note 19b, management's plan is to infuse additional capital to address the going concern uncertainty.

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, 2017 or SEC Form 17-A will be made available during the Annual Stockholders’ Meeting.

B. Interim Period as of Quarter Ended June 30, 2018

The following table shows the consolidated financial highlights of the Group for the quarters ended June 30, 2018 and 2017 and December 31, 2017:

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 ₱1,108,285 for the 2nd quarter of 2018 as compared to the same quarter of 2017 with net loss amounting to ₱1,856,436 million or a decrease in net loss of ₱748,151 or 40.30%. Last year’s loss is significantly greater than this year due to the professional fee paid to external auditor for services rendered on prior years’ financial statements in 2017.

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

Performance indicator	June 30	Dec 31	June 30
	2018	2017	2017
Net income (loss) – (In Php)	(1,108,285)	(10,572,738)	(1,856,436)
Income (loss) per share (In Php)	(0.004)	(0.019)	(0.006)
Income (loss) on average equity (In Php)	(0.005)	(0.025)	(0.006)
Debt to total assets	0.442	0.440	0.506
Debt to equity	0.791	0.787	1.024

MCLSI

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:

<u>Performance indicator</u>	<u>June 30</u> <u>2018</u>	<u>Dec 31</u> <u>2017</u>	<u>June 30</u> <u>2017</u>
<u>Profitability</u>			
a. Gross profit margin	0.215	0.209	0.595
b. Net profit margin	0.117	0.073	0.123
c. Return on assets	0.049	0.118	0.092
d. Return in equity	0.124	0.280	0.220
<u>Liquidity</u>			
a. Current ratio	2.058	1.635	1.708
b. Receivables turnover	1.733	3.006	1.514
c. Days' sales in receivables	211	121	273

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.

Financial Highlights

- Unaudited Income Statement

<i>Income Statement</i>	Amounts in Php			
	Apr – Jun 2018	Apr – Jun 2017	Jan – Jun 2018	Jan – Jun 2017
Sales and services	72,374,993	57,413,210	133,203,793	112,410,444
Cost of sales and services	(56,809,672)	(19,861,848)	(107,650,512)	(45,554,091)
Gross profit	15,565,321	37,551,362	25,553,281	66,856,353
Expenses	(8,238,410)	(32,838,783)	(16,325,717)	(49,032,576)
Other income (expenses)	19,927	213	94,563	416
Net Income (Loss) Before Tax	7,346,838	4,712,792	9,322,127	17,824,193
Income tax expense	-	1,595,163	807,454	5,893,723
Net income	7,346,838	3,117,629	8,514,673	11,930,470
Attributable to:				
Equity Holders of the Parent Company	3,196,425	1,257,463	3,441,072	5,135,687

Non-controlling interest	4,150,413	1,860,166	5,073,601	6,794,784
	7,346,838	3,117,629	8,514,673	11,930,470
Earnings (Loss) Per Share – Equity Holders Of the Parent Company	₱0.0104	₱0.0041	₱0.0112	₱0.0168

Unaudited Balance Sheet

Balance Sheet	Amounts in Php		
	June 30, 2018	June 30, 2017	Dec. 31, 2017
Current assets	190,759,271	181,054,994	168,259,206
Noncurrent assets	413,967,977	430,335,684	411,702,754
Total Assets	604,727,248	611,390,678	579,961,960
Current liabilities	448,094,291	489,634,372	489,802,964
Noncurrent liabilities	3,948,149	8,946,065	4,746,718
Total Liabilities	452,042,440	498,580,436	452,413,135
Total Stockholders' Equity	152,684,808	112,810,241	127,548,825
Total Liabilities and Stockholders' Equity	604,727,248	611,390,678	579,961,960

Changes in Results of Operation

Net Income and Earnings Per Share

The Group registered a consolidated net income of ₱7.35 million for the 2nd quarter of 2018 as against net income of ₱3.12 million for the 2nd quarter of 2017 or an increase of ₱4.23 million or 135.58%. Earnings per share attributable to equity holders of Parent Company are ₱0.0104 for the 2nd quarter of 2018 and ₱0.0041 for the 2nd quarter of 2017. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group. The increase is due to higher sales revenue during this quarter as compared to last year's.

Sales and Services

The Group registered gross service revenue of ₱72.37 million and ₱57.41 million for the quarters ended June 30, 2018 and 2017. The increase in revenue of ₱14.96 million or 26.06% for the 2nd quarter of 2018 is due to increase on MCLSI's lease and logistics contracts.

Cost of Sales and Services

Total cost of sales and services for the quarters ended June 30, 2018 and 2017 amounted to ₱56.81 million and ₱19.86 million, respectively. The significant increase is due to the increase in revenue from the subsidiary and due 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 2018 amounted to ₱8.24 million as compared to ₱32.8 million for the 2nd quarter of 2017 or a decrease of ₱24.56 million or 74.88%.

Other income

Other income for the quarters ended June 30, 2018 and 2017 amounted to ₱19,927 and ₱213, respectively. The account pertains to interest income and other income not arising from ordinary course of business.

Changes in Financial Conditions

Assets

Cash and cash equivalents for the 2nd quarter of 2018 and 2017 amounted to ₱49.52 million and ₱32.73 million, respectively. Net cash flows provided in operating activities is ₱14.64 million, net cash flows used in investing activities is ₱3.28 million and net cash flows provided in financing activities is ₱1.63 million.

Receivables amounted to ₱120.0 million as of 2nd quarter of 2018 and ₱113.4 million as of 2nd quarter of 2017 (net of allowance for doubtful accounts). Movement in the accounts is net effect of (a) increase in trade receivable by ₱9.63 million, (b) decrease in due to affiliates by ₱0.15 million, (c) decrease in other receivable by ₱6.69 million and (d) decrease in allowance for doubtful accounts by ₱3.8 million.

Other current assets amounts to ₱21.2 million and ₱34.9 million as of the 2nd quarter of 2018 and 2017 (net of allowance for probable losses of ₱12.9 million and ₱12.3 million for 2018 and 2017, respectively). The decrease by ₱13.68 million in 2nd quarter of 2018 as against the 2nd quarter of 2017 is net effect of decrease in creditable withholding taxes by ₱12.8 million, increase in input taxes by ₱3.7 million, decrease in refundable deposits by ₱.04 million, decrease in other prepayments by ₱3.9 million and increase in allowance for probable losses by ₱0.6 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 ₱370.5 million and ₱415.4 million as of June 30, 2018 and 2017 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).

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, 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 ₱26.7 million and ₱4.8 million in June 30, 2018 and 2017, respectively. This account includes shares of stocks owned in publicly listed company and unquoted equity investment carried at cost. During the latter part of 2017, the Parent Company made an investment to a non-listed entity, whose primary activity is to engage in real estate development.

Property and equipment amounted to ₱4.3 million and ₱.2 million in June 30, 2018 and 2017, respectively. Increase in property and equipment is net effect of the additions made during the year amounting to ₱0.8 million and depreciation charged of ₱.97 million.

The Group has no outstanding contractual commitments to acquire certain property and equipment as of June 30, 2018 and 2017, 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, 2018 and 2017 amounted to ₱439.16 million and ₱419.83 million, respectively. Trade payables are noninterest bearing and have credit terms of 30 to 60 days. Accrued expenses 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.

Due to related parties for the 2nd quarter of 2018 and 2017 amounted to ₱8.9 million and ₱69.8 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.

Accrued retirement benefit cost amounted to ₱3.7 million and ₱8.9 million as of June 30, 2018 2017, respectively. 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 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

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 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.

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

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.
- Relief Sought : As of June 30, 2018, 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., Civil Case SCA#TG-05-2519**

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

Name of Court : Regional Trial Court, Fourth Judicial Region, Branch 18, Tagaytay City

Status : On September 14, 2005, Metro Alliance Holdings & Equities Corp. (MAHEC) and Philippine Estate Corporation (PEC) filed a Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, and Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sale, plus Damages with prayer for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction.

The case stemmed from the imminent extra-judicial foreclosure of four (4) mortgaged Tagaytay lots covered by Transfer Certificate of Title (CTC) Nos. T-35522, T-35523, T-35524 and T-35552 subject to the Real Estate Mortgage executed by MAHEC and PEC securing ₱280M loan obtained by MAHEC and PEC last December 2003.

On October 6, 2005, the Regional Trial Court (RTC) of Tagaytay City issued and granted the Writ of Preliminary Injunction.

The preliminary injunction issued by the RTC stopping the foreclosure was nullified by both Court of Appeals and Supreme Court, after which Philtrust proceeded to foreclose, and acquired those properties for only ₱165.8M. When MAHEC and PEC failed to redeem, Philtrust consolidated title, and Tagaytay Registry of Deeds issued new TCTs, cancelling PEC's TCT.

On October 10, 2011, MAHEC filed Notice *Lis Pendens* vs. four (4) new TCTs of Philtrust.

The case is now back to Tagaytay RTC for trial hearings under new acting Judge Jaime Santiago. MAHEC and PEC already presented witnesses.

Relief Sought: As of June 30, 2018, the case is pending resolution with the Regional Court of Tagaytay, Branch 18 SCA# TG-05-2519. The Parent Company was able to get the formal trial started and on-going. The Parent Company's most important move was the presentation of a very competent real estate appraiser, realtor, Cesar Santos, who was able to successfully defend in court his ₱811.6M valuation of the foreclosed Tagaytay properties. Trial hearings are on-going and it is now defendant Bank's turn to adduce evidence. Plaintiffs have closed their evidence presentation wherein all offered evidences were admitted, over the objections of defendant Bank. At the last hearing held on December 6, 2016, defendant Bank's star witness was subjected to Plaintiff's counsel cross examination wherein they obtained many damaging admissions against the Bank. Plaintiff's counsels cross examination will resume at trial hearing set for April 25, 2017.

Damages sought are ₱1,000,000 as and by way of exemplary damages and ₱500,000 as and by way of attorney's fees; litigation expenses and cost of suit.

Case Title : **MAHEC, POLYMAX & WELLEX vs Phil. Veterans Bank, et al., Civil Case#08-555, RTC Makati Branch 145**

Factual basis : Civil Action with Damages to Nullify the Foreclosure of Property

Name of Court : Regional Trial Court Makati City Branch 145

Status : The case is an injunction suit with damages filed on July 23, 2008 in RTC-Makati to nullify the foreclosure of Pasig lot securing a ₱350M loan obtained by MAHEC, Polymax and Wellex. Initially, Temporary Restraining Order (TRO) and preliminary injunction was issued, but afterwards, it was lifted, enabling Philippine Veterans Bank (PVB) to foreclose. In successive *certiorari* cases that plaintiffs filed, both Court of Appeals (CA) and Supreme Court (SC) upheld PVB. Worse yet, due to major lapse of the plaintiff's original counsels, *lis pendens* on foreclosed Pasig lot was cancelled, and in March 2012, PVB sold the lots to Zen Sen Realty Devt. Corp. who got new Transfer Certificate of Title (TCT).

The above case was consolidated with other case of affiliated company with the same RTC. In 2013, Company's legal counsel brought Zen Sen Realty Devt. Corp. as defendant also, and prayed that the PVB sale to it be nullified. In October 2014, Company's legal counsel dropped Zen Sen Realty as an unnecessary defendant, after which DECISION was rendered vs. PVB on January 9, 2015, declaring the ₱550M loan (total loan of MAHEC, Polymax, Wellex and other affiliated companies) as fully paid, and even over-paid; discharging all the mortgages, and voiding the 2012 sale made to Zen Sen. PVB was ordered to refund to plaintiffs the ₱3.25M overpayment. PVB filed a motion for reconsideration which was denied. PVB filed Notice of Appeal to Court of Appeal on May 8, 2015, which the Company's legal counsel questioned as defective, but the RTC ruled against the Company in its May 12, 2015 Order. The consolidated case is now on appeal in the Court of Appeals as CA-GR CV#105323. Appellant-defendant Bank filed last December 2016 its Appellant's Brief. The Company's legal counsel is given 45 days to file their Brief and eventually requested for another 30 days extension to finish and file said Appellees' Brief.

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

Factual basis : Petition for Lifting of Trading Suspension

On July 20, 2015, the Company filed a comprehensive corporate disclosure in connection with the Company's petition for lifting its trading suspension which was imposed to the Company on May 21, 2007. Suspension was due to non-filing of structured reports (quarterly and annual reports) from 2007 until 2013. Inability of the Company to file such reports was due to the legal issues involving the acquisition of the petrochemical plant and the surrounding circumstances.

The Company, having resolved its disputes with foreign parties involved in the Bataan petrochemical project, was able to file its 2007 to 2013 quarterly and annual reports starting November 2014 to June 2015. Corresponding penalties amounting to ₱3.4 million was already paid.

The Company and PSE representatives met last November 5, 2015 to discuss the status of the petition and other matters to update the Exchange on the Company's operations and informed that the settlement of the issues involving Polymax Worldwide Limited will be reflected in the Company's 2015 Audited Financial Statements. PSE, on their letter dated January 19, 2016, advised the Company that it will proceed with the completion of its evaluation of the Company's petition upon the Company's submission of the disclosure of the results of its

operations and the filing of its 2015 Audited Financial Statements. The Company received various correspondences from PSE in 2016 as part of the evaluation of the Company's petition.

Status : As of June 4, 2018, the Company's trading suspension was effectively lifted by PSE 5 days after the Company submitted its Comprehensive Disclosure covering all relevant information including, among others, a detailed narration of the events and material information commencing from the trading suspension in 2007, the subsequent related developments, and the Company's business plans.

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, 2018 or SEC Form 17-Q will be made available during the Annual Stockholders' Meeting

Information on Independent Accountant and other Related Matters

External Audit Fees and Services

- (a) Audit and related fees for Metro Alliance are ₱406,560 for the year 2017, ₱390,400 for the year 2016 and ₱360,000 for expressing an opinion on the financial statements and assistance in preparing the annual income tax return. In addition, to bring to the attention of management, any deficiencies in internal control and detected misstatements and fraudulent or illegal acts.
- (b) Tax fees - there were no tax fees paid for the years 2016, 2015 and 2014.
- (c) Other fees – there were no other fees paid for the years 2016, 2015 and 2014.
- (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.

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 three (3) years are as follows:

		Class A		Class B	
		High	Low	High	Low
2018	First Quarter	-	-	-	-
	Second Quarter	2.72	2.53	2.87	2.50
2017	First Quarter	-	-	-	-
	Second Quarter	-	-	-	-
	Third Quarter	-	-	-	-
	Fourth Quarter	-	-	-	-
2016	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 closing market price of Class "A" and Class "B" were P1.56 and P1.49 as of **September 30, 2018**. PSE effectively lifted the Company's trading suspension last June 4, 2018.

Holders

There are 306,122,449 shares outstanding: 183,673,470 shares are Class "A" and 122,448,979 shares are Class "B". As of September 30, 2018, there are 620 holders of Class "A" shares and 396 holders of Class "B" shares.

Metro Alliance's Top 20 Stockholders as of September 30, 2018 are as follows:

	Stockholder's Name	Number of Shares		Percentage to Total (%)
		Class A	Class B	
1	CRESTON GLOBAL LIMITED		56,378,388	18.417
2	PCD NOMINEE CORPORATION (FILIPINO)	19,657,782	31,875,442	16.834
3	CHESA HOLDINGS INC.	40,500,000		13.230
4	PACIFIC WIDE REALTY & DEVELOPMENT CORP.	31,498,000		10.289
5	FORUM HOLDINGS CORPORATION	14,442,356	13,432,644	9.106

6	MISONS INDUSTRIAL AND DEVELOPMENT CORP.	22,000,000		7.187
7	PACIFIC CONCORDE CORPORATION	6,329,500	9,503,908	5.172
8	REXLON REALTY GROUP, INC.	12,200,000	2,673,112	4.859
9	CHARTERED COMMODITIES CORP.	11,296,000		3.690
10	MIZPAH HOLDINGS, INC.	10,128,700		3.309
11	WILLIAM GATCHALIAN	2,091,000	1,481,500	1.167
12	PACIFIC REHOUSE CORP.	1,258,000	1,670,000	0.956
13	PCD NOMINEE CORPORATION (NON-FILIPINO)		2,696,452	0.881
14	FORUM HOLDINGS CORPORATION	1,934,500		0.632
15	TIN FU OR TRAJANO		820,000	0.268
16	CTBC TA# 5-C184: ZUELLIG CORP.	684,829		0.224
	REXLON T. GATCHALIAN	600,000		0.196
17	VICTOR GAN SY	400,000	200,000	0.196
18	BDO TIG AS TRUSTEE FOR FEDERAL PHOENIX ASSURANCE CO.	505,992		0.165
19	W. DUMERMUTH		472,600	0.154
20	VICTOR G. SY	178,000	290,000	0.153

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

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).

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.

There were minor deviations from the Corporation's Manual during the period January to December 2016 due mainly to recent changes and business development plans.

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.

Metro Alliance filed its Integrated Annual Corporate Governance Report last May 30, 2018 covering the year 2017.

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

**Consolidated Financial Statements
December 31, 2017 and 2016**

Independent Auditor's Report

and

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



METRO ALLIANCE
HOLDINGS & EQUITIES CORP.

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

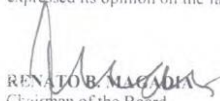
The management of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2017 and 2016**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

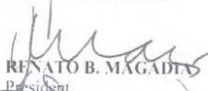
In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.


The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Valdes Abad & Company, CPAs, the independent auditors, appointed by the stockholders has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


RENATO B. MAGADIA
Chairman of the Board


RENATO B. MAGADIA
President


JAMES B. PALIT-ANG
Corporate Treasurer

SUBSCRIBED AND SWORN to before me in PASIG CITY City/Province, Philippines on APR 16 2018
affiants personally appeared before me and exhibited to me their

Name	Tax Identification Number
1. RENATO B. MAGADIA	100-942-390
2. JAMES B. PALIT-ANG	151-671-333

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

DOC NO: 337
PAGE NO: 52
BOOK NO: 17
SERIES OF: 118

NOTARY PUBLIC FOR _____ City/Province
Notarial Commission No. _____
Commission expires on December 31, _____
Roll of Attorney Number _____
PTR No. _____
IBP No. _____
Office Address: _____

35th Flr. One Corporate Center Doña Julia Vargas Avenue corner
Meralco Ave., Ortigas Center, Pasig City, Phils. 1605
Trunkline (02) 706-7888 * Fax No. (02) 706-5982

Valdes Abad & Company

(Formerly: Valdes Abad & Associates)

certified public accountants

CIV Building 108 Aguirre Street, Legaspi Village, Makati City, Philippines

Branches:

Cebu and Davao

Phone: (632) 892-5931 to 35

(632) 519-2105

Fax: (632) 819-1468

E-mail: valdes.abad.associates@gmail.com

BOA/PRC Reg. No. 0314

SEC Accreditation No. A-142-F



INDEPENDENT AUDITOR'S REPORT TO ACCOMPANYING FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

35th Floor One Corporate Center, Dona Julia Vargas Ave., cor. Meralco Ave.

Ortigas Center, Pasig City

We have examined the financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** for the year ended December 31, 2017, on which we have rendered the attached report dated April 16, 2018.

In compliance with SRC Rule 68, we are stating that the Company has seven hundred eighty-nine (789) stockholders owning one hundred (100) or more shares each as of December 31, 2017.

VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314

Issued on November 2, 2015, Valid until December 31, 2018

BIR Accreditation No. 08-002126-000-2017

Issued on December 13, 2017, Valid until December 13, 2020

SEC Accreditation No. A-142-F

Issued on September 7, 2017, Valid until April 30, 2018

For the firm:

A handwritten signature in black ink, appearing to read 'ALFONSO L. CAY-AN', written over a light blue horizontal line.

ALFONSO L. CAY-AN

Partner

CPA Registration No. 99805

Issued on December 28, 2017, Valid until December 14, 2020

TIN No. 213-410-741-000

PTR No. 6617716, Issued Date: January 5, 2018, Makati City

BOA/PRC Reg. No. 0314

Issued on November 2, 2015, Valid until December 31, 2018

SEC Accreditation No. A-782-A

Issued on September 7, 2017, Valid until April 30, 2018

BIR Accreditation No. 08-002126-005-2017

Issued on December 13, 2017, Valid until December 13, 2020

Makati City, Philippines

April 16, 2018

**Valdes Abad &
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BOA/PRC Reg. No. 0314
SEC Accreditation No. 0282-F



STATEMENT OF REPRESENTATION

TO THE SECURITIES AND EXCHANGE COMMISSION:

In connection with my examination of the financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** which are to be submitted to the Commission, I hereby represent the following:

1. That I am in the active practice of the accounting profession and duly registered with the Board of Accountancy (BOA);
2. That said financial statements are presented in conformity with Philippine Financial Reporting Standards, in all cases where I shall express an unqualified opinion; except that in case of any departure from such principles, I shall indicate the nature of the departure, the effects thereof, and the reasons why compliance with the principles would result in a misleading statement, if such is a fact;
3. That I shall fully meet the requirements of independence as provided under the Code of Professional Ethics for CPAs;
4. That in the conduct of the audit, I shall comply with the Philippine Standards on Auditing promulgated by the Board of Accountancy; in case of any departure from such standards or any limitation in the scope of my examination, I shall indicate the nature of the departure and the extent of the limitation, the reasons therefore and the effects thereof on the expression of my opinion or which may necessitate the negation of the expression of an opinion;
5. That I shall comply with the applicable rules and regulations of the Securities and Exchange Commission in the preparation and submission of financial statements; and
6. That relative to the expression of my opinion on the said financial statements, I shall not commit any acts discreditable to the profession as provided under the Code of Professional Ethics for CPAs.

As a CPA engaged in public practice, I make these representations in my individual capacity and as a partner in the accounting firm of **VALDES ABAD & COMPANY, CPAs**.

VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314

Issued on November 2, 2015, Valid until December 31, 2018

BIR Accreditation No. 08-002126-000-2017

Issued on December 13, 2017, Valid until December 13, 2020

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SEC Accreditation No. A-142-F



REPORT OF INDEPENDENT PUBLIC AUDITORS TO ACCOMPANY SEC SCHEDULES FILED SEPARATELY FROM THE BASIC FINANCIAL STATEMENTS

The Board of Directors

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

35th Floor One Corporate Center, Dona Julia Vargas Ave., cor. Meralco Ave.

Ortigas Center, Pasig City

We have examined the financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** as of December 31, 2017 on which we have rendered the attached report dated April 16, 2018. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary schedules of the Company as of December 31, 2017 and for the year ended, required by the Securities and Exchange Commission, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in such supplementary schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314

Issued on November 2, 2015, Valid until December 31, 2018

BIR Accreditation No. 08-002126-000-2017

Issued on December 13, 2017, Valid until December 13, 2020

SEC Accreditation No. A-142-F

Issued on September 7, 2017, Valid until April 30, 2018

For the firm:

ALFONSO L. CAY-AN

Partner

CPA Registration No. 99805

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TIN No. 213-410-741-000

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Issued on December 13, 2017, Valid until December 13, 2020

Makati City, Philippines

April 16, 2018

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BOA/PRC Reg. No. 0314
SEC Accreditation No. A-142-F



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES
35th Floor One Corporate Center, Dona Julia Vargas Ave., cor. Meralco Ave.
Ortigas Center, Pasig City

Opinion

We have audited the accompanying consolidated financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and notes to the financial statements, including as summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** as of December 31, 2017 and 2016 and of its financial performances and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, the Code of Ethics for Professional Accountants in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

(a) Realization of Outstanding Receivables from Polymax Worldwide

As of December 31, 2017, the Parent Company has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₱371.4 million which accounts for 88% of the Parent Company's total assets. These advances were related to the acquisition of the petrochemical plant of Bataan Polyethylene Corporation (BPC) involving a series of acquisition transactions described in Note 2.3 of the notes to the financial statements. The analysis of the recoverability of these advances is significant to our audit because the assessment process requires use of management judgment. It is also based on assumptions of future cash inflow to be generated by Polymax in which the settlement to their obligation to the Parent Company is dependent upon.

Audit response

We obtained an understanding of the nature of the said advances and assessed the management's plan to fully recover the outstanding balance. Our audit procedure included circulation of confirmation letter to Polymax to confirm the existence of the said advances. Likewise, this covered substantiation of partial collection made by the Parent Company during the year. We also assessed the completeness and accuracy of the disclosures relating to the said advances in the notes to financial statements as discussed in Note 2.3.

(b) Realization of Management's Plan to Address the Going Concern

Trading activity of the Parent Company has been suspended for more than 12 years which adversely affected their operations resulting to incurrence of capital deficiency and liquidity and solvency issues. The Parent Company designed a detailed plan to address the going concern uncertainties and likewise, structured its capital build-up program as discussed in Note 2.2. The realization of the plans to be performed by the Parent Company is significant to our audit as this materially affects our judgement to the ability of the Parent Company to continue its operations in foreseeable future as deemed necessary by PSA 570 (Revise) *Going Concern*.

Audit response

Our audit procedures included understanding of the current market conditions in which the Parent Company operates and assess whether management's plan to address the going concern uncertainty is feasible. We compared and tested forecasted activities to be performed with industry practices. We have reviewed the compliance of the Parent Company to the requirements of the regulatory agencies and their correspondence with regard unresolved issues. We likewise examined documentation for the on-going litigations that could impact its cash flows from third party legal counsels.

Responsibilities of Management and Those Charged with Governance for the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (i) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (ii) Obtain an understanding of internal control relevant to the audit 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. In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor shall omit the phrase that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- (iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (iv) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- (v) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may be reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314

Issued on November 2, 2015, Valid until December 31, 2018

BIR Accreditation No. 08-002126-000-2017

Issued on December 13, 2017, Valid until December 13, 2020

SEC Accreditation No. A-142-F

Issued on September 7, 2017, Valid until April 30, 2018

For the firm:



ALFONSO L. CAY-AN

Partner

CPA Registration No. 99805

Issued on December 28, 2017, Valid until December 14, 2020

TIN No. 213-410-741-000

PTR No. 6617716, Issued Date: January 5, 2018, Makati City

BOA/PRC Reg. No. 0314

Issued on November 2, 2015, Valid until December 31, 2018

SEC Accreditation No. A-782-A

Issued on September 7, 2017, Valid until April 30, 2018

BIR Accreditation No. 08-002126-005-2017

Issued on December 13, 2017, Valid until December 13, 2020

Makati City, Philippines
April 16, 2018

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Philippine Peso)



ASSETS	Note	2017	2016
CURRENT ASSETS			
Cash	9	36,538,607	23,330,123
Receivables, net	10	116,786,722	109,617,915
Other current assets, net	11	14,933,877	24,009,434
Total Current Assets		<u>168,259,206</u>	<u>156,957,472</u>
NON-CURRENT ASSETS			
Asset held for sale	2,12	371,371,502	415,410,450
Available for sale investment	13	26,669,885	4,829,385
Property and equipment, net	14	4,424,024	2,636,085
Deferred tax asset	18	4,530,072	5,941,769
Other non-current assets	15	4,707,271	7,371,173
Total Non-Current Assets		<u>411,702,754</u>	<u>436,188,862</u>
TOTAL ASSETS		<u>579,961,960</u>	<u>593,146,334</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	16	441,327,586	454,086,364
Due to related parties	17	6,338,831	35,716,601
Total Current Liabilities		<u>447,666,417</u>	<u>489,802,965</u>
NON CURRENT LIABILITIES			
Accrued retirement benefit costs	26	4,746,718	6,169,794
Deferred tax liability	18	-	1,432
Total Non-Current Liabilities		<u>4,746,718</u>	<u>6,171,226</u>
EQUITY			
Equity Attributable to Equity Holders of Parent Company			
Capital stock	19	306,122,449	306,122,449
Additional paid-in capital	19	3,571,923	3,571,923
Deficit	20	(222,096,817)	(234,043,783)
Remeasurement gain on retirement plan	26	4,105,556	3,057,535
Available-for-sale reserve	13	10,398,922	1,058,422
Non-controlling interest		<u>102,102,033</u>	<u>79,766,546</u>
Total Equity		<u>25,446,792</u>	<u>17,405,597</u>
TOTAL LIABILITIES AND EQUITY		<u>579,961,960</u>	<u>593,146,334</u>

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Philippine Peso)

For the Years Ended December 31,	Note	2017	2016
SALE OF SERVICES	21	224,220,913	180,131,349
COST OF SERVICES	22	<u>177,450,298</u>	<u>141,008,975</u>
GROSS PROFIT		46,770,615	39,122,374
OTHER INCOME	23	254,195	230,841
EXPENSES	24	<u>(27,891,147)</u>	<u>(29,493,422)</u>
INCOME BEFORE INCOME TAX		<u>19,133,663</u>	<u>9,859,793</u>
PROVISION FOR (BENEFIT FROM) INCOME TAX	18		
Current		8,031,350	7,481,150
Deferred		<u>529,575</u>	<u>(3,403,620)</u>
NET INCOME		10,572,738	5,782,263
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized gain (loss) on available-for-sale investments	13	9,340,500	(143,700)
Remeasurement gain on retirement plan, net of deferred income tax	26	2,054,944	3,601,487
TOTAL COMPREHENSIVE INCOME		21,968,182	9,240,050
Net income attributable to:			
Equity holders of the Parent Company		3,538,466	1,289,533
Non-controlling interest		<u>7,034,272</u>	<u>4,492,730</u>
		10,572,738	5,782,263
Other comprehensive income attributable to:			
Equity holders of the Parent Company		10,388,521	2,450,864
Non-controlling interest		<u>1,006,923</u>	<u>1,006,923</u>
		11,395,444	3,457,787
Basic income per share			
Income for the year attributable to equity holders of the Parent Company	31	0.012	0.004

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 (In Philippine Peso)

	Attributable to Equity Holders of the Parent Company							Total Equity
	Capital Stock (Note 19)	Additional Paid- in Capital (Note 19)	Retained Earnings (Deficit) (Note 20)	Remeasurement Gain (Loss) on Retirement Plan (Note 26)	AFS Reserve (Note 13)	Subtotal	Minority Interests	
BALANCES AS OF DECEMBER 31, 2015	306,122,449	3,571,923	(235,129,968)	1,220,777	1,202,122	76,987,303	11,148,139	88,135,442
Adjustment to opening balance of retained earnings (Note 30)	-	-	(203,348)	-	-	(203,348)	-	(203,348)
Net income	-	-	1,289,533	-	-	1,289,533	4,492,730	5,782,263
Other comprehensive income (loss)	-	-	-	1,836,758	(143,700)	1,693,058	1,764,728	3,457,786
BALANCES AS OF DECEMBER 31, 2016	306,122,449	3,571,923	(234,043,783)	3,057,535	1,058,422	79,766,546	17,405,597	97,172,143
Adjustment to opening balance of retained earnings (Note 30)	-	-	8,408,500	-	-	8,408,500	-	8,408,500
Net income	-	-	3,538,466	-	-	3,538,466	7,034,272	10,572,738
Other comprehensive income	-	-	-	1,048,021	9,340,500	10,388,521	1,006,923	11,395,444
BALANCES AS OF DECEMBER 31, 2017	306,122,449	3,571,923	(222,096,817)	4,105,556	10,398,922	102,102,033	25,446,792	127,548,825

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Philippine Peso)

For the Years Ended December 31,	Note	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		19,133,663	9,859,793
Adjustments for:			
Prior period adjustment	30	8,408,500	(203,348)
Write-off of receivables	10	(74,984)	(325,982)
Impairment loss	10,11	1,059,934	546,124
Provision for probable losses	10,11	2,189,120	3,714,664
Amortization of intangible assets	15	292,758	381,714
Depreciation	14	1,934,069	1,841,754
Provision for retirement benefit costs	26	1,512,558	2,368,710
Interest income	23	(242,685)	(61,280)
Dividends received	23	-	15,714
Deferred tax assets		(1,410,265)	(1,860,126)
Change in minority interest		(8,041,195)	(6,257,458)
Operating income before working capital changes		24,761,473	10,020,279
Changes in assets and liabilities:			
Receivables, net		(8,651,165)	(20,057,086)
Other current assets		8,443,779	54,542
Other non-current assets		2,371,144	(5,540,330)
Accounts payable and accrued expenses		(12,708,940)	21,124,782
Net Cash from Operating Activities		14,216,291	5,602,187
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	23	242,685	61,280
Collection from asset held for sale	12	44,038,948	-
Acquisition of available for sale investment	13	(12,500,000)	-
Acquisition of property and equipment	14	(3,722,008)	(724,990)
Net Cash from Investing Activities		28,059,625	(663,710)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	23	-	(15,714)
Changes in due to related parties		(29,067,432)	2,688,223
Net Cash from Financing Activities		(29,067,432)	2,672,509
NET INCREASE IN CASH		13,208,484	7,610,986
CASH, Beginning	9	23,330,123	15,719,137
CASH, End	9	36,538,607	23,330,123

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

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 new registered office address of the Parent Company is at 35th Floor One Corporate Center, Dona Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City.

In 2015, the SEC approved the amendment made to Article III of the Company’s Articles of Incorporation in regard to the change of Company’s official business address from 22nd Floor Citibank Tower, 8741 Paseo de Roxas, Makati City to 35th Floor One Corporate Center, Dona Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City.

The accompanying consolidated financial statements as of December 31, 2017 were approved and authorized for issue by the Board of Directors (BOD) on April 16, 2018.

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, 2017 and 2016, the Parent Company has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to P371.4 million and P415.4 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 P994.7 million as of December 31, 2017 and 2016, 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 P866.7 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 12.

As explained in Note 12, 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.

In 2017, the Parent Company were able to collect partially the advances from Polymax amounting to P44,038,948.

The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. As explained in Note 19b, management’s plan is to infuse additional capital to address the going concern uncertainty.

2.2 Management Plan to Address Going Concern Uncertainties

In the management letter last year, we summarized the projected plans of the Company. Regrettably, no significant development has happened principally due to the continued suspension of the trading of the Company's shares on the Philippine Stock Exchange (PSE). This suspension is still in effect, despite of the company having complied with all reportorial and regulatory requirements, and the fact that there are no pending cases with government regulatory bodies and the Securities and Exchange Commission.

The Group still holds 20% interest in NPC Alliance Corporation as of December 31, 2017. The Board will discuss how best to proceed on this remaining investment. Recently, the petrochemical plant is undergoing further studies of how to proceed with its future operation to prevent further losses in operating the company under present market conditions. Among the options being evaluated by the majority controlling interest in NPCA is to consider the proposal of MAHEC/Polymax to take over the plant with its potential Chinese partner.

The Board has outlined possible target business projects, but has precluded investments in the mining industry, since the target project did not pass the screening conducted by the DENR.

MAHEC's remaining operating subsidiary, Metro Combined Logistics Solutions, Inc. (MCLSI), is steadily growing with additional business from its existing principals. The Group is also exploring business opportunities in the transport field, including computer app solutions, warehousing and cold storage; in medical distribution and pharmaceutical business logistics, operation of hospice care and management of medical clinics, importation of medical equipment; and also in document storage, car parking, sea travel, river ferry and airport/seaport terminal management.

Projected Plan for 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) 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;
- b) Pressing the majority shareholders of NPCA to write down the obligation of NPCA to its principal shareholders to pave the way for restructured financial statements;
- c) Continuous filings with relevant government agencies;
- d) 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 ₱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 5 billion to be split – 60% Class A shares and 40% Class B shares at par value ₱1.00 to meet its projected investments after the tender offer.

If everything proceeds as planned, the Company is expected to satisfy its cash requirements to finance its projected plans and investments in the new ventures until the 4th quarter of 2018. Furthermore, if the lifting of the trading suspension is approved by the PSE, the Company will announce the plan for the proposed tender offer on the annual stockholders' meeting.

The company has started to close its non-operating subsidiaries, and eliminate these from its future reporting responsibilities. The elimination will not have any significant effect on the financial statements, as reserves were all provided for these companies to be non-operational. These actions will further enhance the ability of the company to attract new investors to consider an equity infusion into the company and/or a joint venture.

Realization of Outstanding Receivables from Polymax Worldwide in the Amount of Php371,371,502 as of December 31, 2017

Assuming that the 4-way negotiations with the Chinese bank, the Chinese petrochemical firm and the Iranians will bog down, there are other alternatives to address the issue. In order that this outstanding receivable will be fully recovered, a payment via dacion of the remaining 20% NPCA shares held by Polymax in NPC Alliance may be assigned to Metro Alliance, thus, making the company the direct shareholders of NPCA.

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 is still in the stage of exploring new business opportunities. Manpower will be outsourced if needed.

Capital Asset Acquisition

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

2.3 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 P866.7 million, consisting of the outstanding principal balance of P378.3 million and finance charges of P488.4 million. In 2007, these past due liabilities were unilaterally transferred to and applied against the advances made to Polymax as discussed in Note 12.

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 P4.8 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 P1.91 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 P954.5 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, 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 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

3.1 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.

3.2 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	
	2017	2016
Operating subsidiaries:		
Metro Combined Logistics Solutions, Inc. (MCLSI) (formerly GAC Logistics, Inc.)	51%	51%
Non-operating subsidiaries:		
Consumer Products Distribution Services, Inc. (CPDSI)	100%	100%
FEZ-EAC Holdings, Inc. (FEZ-EAC)	100%	100%
Zuellig Distributors, Inc. (ZDI)	100%	100%
Asia Healthcare, Inc. (AHI)	60%	60%

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.

3.3 Changes in Accounting Policy

New standards, amendments to published standards and interpretation to existing standards adopted by the company effective 2017.

- *Amendments to PAS 7, Statement of Cash Flows, Disclosure Initiative*

The amendment requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary):

- (i) changes from financing cash flows;
- (ii) changes arising from obtaining or losing control of subsidiaries or other businesses;
- (iii) the effect of changes in foreign exchange rates;
- (iv) changes in fair values; and
- (v) other changes.

The Standard defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

The amendments have no impact on the company's financial position or performance.

- *Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments have no impact on the company's financial position or performance.

New standards, amendments to published standards and interpretation to existing standards effective 2017 not yet adopted by the company.

- *Amendment to PFRS 12, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

The amendment clarifies the scope of the standard by specifying that the disclosure requirements in the standard, apply to an entity's interests that are classified as held for sale, as held for distribution or as discontinued operations in accordance with PFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendments have no impact on the company's financial position or performance.

Future Changes in Accounting Policies

The company will adopt the following revised standards, interpretation and amendments when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards and interpretations to have a significant impact on its financial statements.

Effective 2018

- *PFRS 9, Financial Instruments (2014)*- the amendment reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities. The adoption will also have an effect on the amount of the Company's credit losses. The Company is currently assessing the impact of adopting this standard.

- *PFRS 15, Revenue from Contracts with Customers* – the amendment establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Company is currently assessing the impact of adopting this standard.

- *PFRS 2 (Amendments), Classification and Measurement of Share-based Payment Transactions.*

Amendments to clarify the classification and measurement of share-based payment transactions

The Standard has introduced the following clarifications:

On such modifications, the original liability recognized in respect of the cash-settled share-based payment is derecognized and the equity-settled share-based payment is recognized at the modification date fair value to the extent services have been rendered up to the modification date.

Any difference between the carrying amount of the liability as at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately.

- *PFRS 4 (Amendments), Applying PFRS 9 'Financial Instruments' with PFRS 4 'Insurance Contracts'*

The amendments in *Applying PFRS 9 'Financial Instruments' with PFRS 4 'Insurance Contracts' (Amendments to PFRS 4)* provide two options for entities that issue insurance contracts within the scope of PFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4; this is the so-called deferral approach.

- *PAS 40 (Amendments), Transfers of Investment Property*

The amendments in *Transfers of Investment Property (Amendments to PAS 40)* are:

Paragraph 57 of *PAS 40 Investment Property*, which provides guidance on transfers to, or from, investment properties. More specifically, the question was whether a property under construction or development that was previously classified as inventory could be transferred to investment property when there was an evident change in use.

Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

- *Annual Improvements to PFRS (2014–2016 Cycle)*

Amendments to the following standards:

- *PFRS 1 – Short Term Exemptions* Deletes the short-term exemptions, because they have now served their intended purpose
- *PFRS 12* - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, apply to an entity's interests that are classified as held for sale, as held for distribution or as discontinued operations in accordance with *PFRS 5 Non-current Assets Held for Sale and Discontinued Operations*
- *PAS 28* - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition

Effective 2019

- *PFRS 16, Leases*

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with *PAS 17, Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under *PAS 17*. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt *PFRS 16* but only if they have also adopted *PFRS 15*. When adopting *PFRS 16*, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Company is currently assessing the impact of adopting *PFRS 16*.

- *Amendments resulting from Annual Improvements 2015–2017 Cycle (remeasurement of previously held interest)*

- *PFRS 11 Joint Arrangements*

The amendments to *PFRS 3* clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to *PFRS 11* clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- PFRS 9 Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities

Under the amendments, the sign of the prepayment amount is not relevant, i. e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- The amendments in Effective Date of Amendments to PFRS 10 and PAS 28 defer the effective date of the September 2014 amendments to these standards indefinitely until the research project on the equity method has been concluded. Earlier application of the September 2014 amendments continues to be permitted.

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, 2017 and 2016.

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, 2017 and 2016.

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, 2017 and 2016.

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 financial position.

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:

Particulars	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 financial reporting 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 12).

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 28).

Contingencies

The Group is currently involved in various legal proceedings, which are normal to its business as discussed in Note 32. 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 ₱146.6 million and ₱150.4 million as of December 31, 2017 and 2016, respectively) amounted to ₱116.8 million and ₱109.6 million as of December 31, 2017 and 2016, respectively (see Note 10).

The carrying amount of other current assets amounted to ₱14.9 million and ₱24.0 million as of December 31, 2017 and 2016, respectively as discussed in Note 11. Allowance on probable losses, mainly pertaining to creditable withholding and input taxes, amounted to ₱12.9 million and ₱12.3 million as of December 31, 2017 and 2016, respectively as shown also in Note 11.

Advances to Polymax (under asset held for sale) amounting to ₱371.4 million ₱415.4 million as of December 31, 2017 and 2016, respectively, constitute 64% and 70% of the Group's total assets at the end of 2017 and 2016, 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 12.

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 2017 and 2016.

In 2016, 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 15.

Evaluation of Impairment of Noncurrent Non-Financial 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, 2017 and 2016. As of December 31, 2017 and 2016, property and equipment, net of accumulated depreciation and amortization, amounted to ₱4.4 million and ₱2.6 million, respectively, as shown in Note 14 and total depreciation and amortization charged to operations amounted to ₱407,552 in 2017 and ₱124,943 in 2016 (see Note 24).

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 8.

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 P4.5 million and P5.9 million as of December 31, 2017 and 2016, respectively (see Note 18).

The Group did not recognize deferred tax assets of the Parent Company and its non-operating subsidiaries amounting to P50.4 million and P54.0 million as of December 31, 2017 and 2016, 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 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 described in Note 26 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 P4.7 million and P6.2 million as of December 31, 2017 and 2016, respectively (see Note 26).

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 2017 and 2016.

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, 2017 and 2016 and for the years then ended is presented below.

	2017		
	Distribution and Contract Logistics	Other Businesses	Total
External Sales	P 224,220,913	P -	P 224,220,913
Results:			
Segment result	P 24,761,911	P 5,513,001	P 30,274,912
Other income	253,410	785	254,195
Provision for income tax	(8,560,925)	-	(8,560,925)
Net income	<u>16,454,396</u>	<u>5,513,786</u>	<u>21,968,182</u>
Other Information:			
Segment assets	P 138,861,377	P 441,100,583	P 579,961,960
Segment liabilities	80,061,417	372,351,718	452,413,135
Capital expenditures	3,722,005	-	3,722,005
Depreciation and amortization	2,226,827	-	2,226,827
Noncash items other than depreciation and amortization	<u>3,040,977</u>	<u>-</u>	<u>3,040,977</u>

	2016		
	Distribution and Contract Logistics	Other Businesses	Total
External Sales	P 180,131,349	P -	P 180,131,349
Results:			
Segment result	P 16,785,177	P (3,698,438)	P 13,086,739
Other income	63,165	167,676	230,841
Provision for income tax	(4,077,530)	-	(4,077,530)
Net income	12,770,812	(3,530,762)	9,240,050
Other Information:			
Segment assets	P 127,791,666	P 465,354,668	P 593,146,334
Segment liabilities	85,446,104	410,528,086	495,974,190
Capital expenditures	724,990	-	724,990
Depreciation and amortization	2,223,468	-	2,223,468
Noncash items other than depreciation and amortization	5,006,089	-	5,006,089

NOTE 6 – 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, 2017 and 2016, 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.

- a. Financial information on the Company's maximum exposure to credit risk as of December 31, 2017 and 2016, without considering the effects of collaterals and other risk mitigation techniques are presented below.

Particulars	2017	2016
Cash	P 36,538,607	P 23,330,123
Receivables	116,786,722	109,617,915
Refundable deposits	7,098,766	7,381,802
Total	P 160,424,095	P 140,329,840

b. Credit quality per class of financial assets

Description of the credit quality grades used by the Company follows:

Financial assets -AFS investments

High grade - Counterparties that are consistently profitable, have strong fundamentals and pays out dividends.

Standard grade - Counterparties that recently turned profitable and have the potential of becoming a high-grade company. These counterparties have sound fundamentals.

Substandard grade - Counterparties that are not yet profitable, speculative in nature but have the potential to turn around fundamentally.

Loans and receivables

High grade - High probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Standard grade - Collections are probable due to the reputation and the financial ability of the counterparty to pay.

Substandard grade - The counterparty shows probability of impairment based on historical trends.

The tables below show credit quality by class of financial assets based on the Company's credit quality grades (gross of related allowance for credit losses).

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

	2017			
	Neither past due nor impaired		Past due but Not impaired	Total
	High Grade	Standard Grade		
Loans and receivables:				
*Cash	P 36,334,985	P -	P -	P 36,334,985
Trade receivables	-	76,923,236	-	76,923,236
Other receivables	-	-	39,863,486	39,863,486
Total loans and receivables	<u>36,334,985</u>	<u>76,923,236</u>	<u>39,863,486</u>	<u>153,121,707</u>
Available for sale investment	26,669,885	-	-	26,669,885
Refundable deposit	<u>7,098,766</u>	-	-	<u>7,098,766</u>
Total	<u>P 70,103,636</u>	<u>P 76,923,236</u>	<u>P 39,863,486</u>	<u>P 186,890,358</u>
<i>*Excluding cash on hand</i>				
	2016			
	Neither past due nor impaired		Past due but not impaired	Total
	High Grade	Standard Grade		
Loans and receivables:				
*Cash	P 22,405,026	P -	P -	P 22,405,026
Trade receivables	-	74,144,195	-	74,144,195
Other receivables	-	-	35,473,720	35,473,720
Total loans and receivables	<u>22,405,026</u>	<u>74,144,195</u>	<u>35,473,720</u>	<u>132,022,941</u>
Available for sale investment	4,829,385	-	-	4,829,385
Refundable deposit	<u>7,381,802</u>	-	-	<u>7,381,802</u>
Total	<u>P 34,616,213</u>	<u>P 74,144,195</u>	<u>P 35,473,720</u>	<u>P 144,234,128</u>
<i>*Excluding cash on hand</i>				

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.

The table below shows the maturity profile of the financial assets and liabilities, based on its internal methodology that manages liquidity based on contractual undiscounted cash flows:

Particulars	2017			
	On Demand	Within 1 Year	More than 1 Year	Total
Financial Assets				
*Cash	P 36,334,985	P -	P -	P 36,334,985
Trade and other receivables	-	116,786,722	-	116,786,722
Refundable deposits	-	3,252,326	3,846,440	7,098,766
Subtotal	36,334,985	120,039,048	3,846,440	160,220,473
AFS investment	-	-	26,669,885	26,669,885
Total	36,334,985	120,039,048	30,516,325	186,890,358
Financial Liabilities				
Due to related parties	P -	P 6,338,831	P -	P 6,338,831
Accounts payable and accrued expenses	-	441,327,586	-	441,327,586
Total	-	447,666,417	-	447,666,417
Net Position	P 36,334,985	P (327,627,369)	P 30,516,325	P (260,776,059)
	<i>*Excludes cash on hand</i>			
Particulars	2016			
	On Demand	Within 1 Year	More than 1 Year	Total
Financial Assets				
*Cash	P 22,405,026	P -	P -	P 22,405,026
Trade and other receivables	-	109,617,915	-	109,617,915
Refundable deposits	-	854,772	6,527,030	7,381,802
Subtotal	22,405,026	110,472,687	6,527,030	139,404,743
AFS investment	-	-	4,829,385	4,829,385
Total	22,405,026	110,472,687	11,356,415	144,234,128
Financial Liabilities				
Due to related parties	P -	P 35,716,601	P -	P 35,716,601
Accounts payable and accrued expenses	-	454,086,364	-	454,086,364
Total	-	489,802,965	-	489,802,965
Net Position	P 22,405,026	P (379,330,278)	P 11,356,415	P (345,568,837)
	<i>*Excludes cash on hand</i>			

NOTE 7 – 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 equity attributable to equity holders of the Parent Company less any reserves is shown in the table below.

Particulars	2017	2016
Capital stock	P 306,122,449	P 306,122,449
Additional paid-in-capital	3,571,923	3,571,923
Deficit	<u>(222,096,817)</u>	<u>(234,043,783)</u>
Total	<u>P 87,597,555</u>	<u>P 75,650,589</u>

NOTE 8 – 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, 2017 and 2016:

Particulars	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:				
Cash	P 36,538,607	P 36,538,607	P 23,330,123	P 23,330,123
Receivables	116,786,722	116,786,722	109,617,915	109,617,915
AFS investments	26,669,885	26,669,885	4,829,385	4,829,385
Refundable deposits	7,098,766	7,098,766	7,381,802	7,381,802
Total	<u>P 187,093,980</u>	<u>P 187,093,980</u>	<u>P 145,159,225</u>	<u>P 145,159,225</u>
Financial Liabilities:				
Accounts payable and accrued expenses	P 441,327,586	P 441,327,586	P 454,086,364	P 454,086,364
Due to related parties	6,338,831	6,338,831	35,716,601	35,716,601
Total	<u>P 447,666,417</u>	<u>P 447,666,417</u>	<u>P 489,802,965</u>	<u>P 489,802,965</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.

Fair Value Hierarchy

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table shows the company's financial assets carried at fair value:

Particulars	2017		2016	
	Level 1	Level 3	Level 1	Level 3
Assets measured at fair value				
Cash	P 36,538,607	P -	P 23,330,123	-
Receivables	-	116,786,722	-	109,617,915
AFS investments	26,669,885	-	4,829,385	-
Refundable deposits	-	7,098,766	-	7,381,802
Total	P 63,208,492	P 123,885,488	P 28,159,508	116,999,717
Liabilities				
Accounts payable and accrued expenses	P -	P 441,327,586	P -	454,086,364
Due to related parties	-	6,338,831	-	35,716,601
Total	P -	P 447,666,417	P -	489,802,965

As of December 31, 2017 and 2016, the company does not have financial assets valued using Level 2 inputs. Also, there were no transfers made between each level.

NOTE 9 – CASH

Details of cash are as follows:

Particulars	2017	2016
Cash on hand	P 203,622	P 925,097
Cash in banks	36,334,985	22,405,026
Total	P 36,538,607	P 23,330,123

Cash in banks earn interest at the respective bank deposit rates. Interest income from banks amounted to P242,685 and P61,280 in 2017 and 2016, respectively.

NOTE 10 – RECEIVABLES, NET

Details of receivables are as follows:

Particulars	2017	2016
Trade receivables	₱ 76,923,236	₱ 74,144,195
Due from related parties (Note 27)	5,308,906	5,383,891
Other receivables	37,306,703	36,651,131
Note receivables	143,865,021	143,865,021
Subtotal	263,403,866	260,044,238
Less: Allowance for probable losses	(146,617,144)	(150,426,323)
Total	₱ 116,786,722	₱ 109,617,915

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 2017 and 2016.

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	2017	2016
Balance at beginning of year	₱ 150,426,323	₱ 147,037,641
Reversal of allowance	(5,291,537)	-
Provision for the year (Note 24)	1,557,342	3,714,664
Write-off during the year	(74,984)	(325,982)
Balance at end of year	₱ 146,617,144	₱ 150,426,323

The Group assesses the probability of collection of its outstanding receivable balances at each reporting period and accordingly recognizes impairment for accounts with remote probability of collection. For December 31, 2017 and 2016, the Group recognized impairment loss amounting to ₱1,059,934 and ₱283,425, respectively. (See Note 24)

NOTE 11 – OTHER CURRENT ASSETS, NET

Details are as follows:

Particulars	2017	2016
Creditable withholding taxes	₱ 12,662,394	₱ 18,209,899
Input taxes	9,252,271	8,629,137
Prepayments and others	2,653,009	8,569,971
Refundable deposits	3,252,326	854,772
Subtotal	27,820,000	36,263,779
Less: Allowance for probable losses	(12,886,123)	(12,254,345)
Total	₱ 14,933,877	₱ 24,009,434

The movements in the allowance for probable losses follow:

Particulars	2017	2016
Balance at beginning of year	P 12,254,345	P 12,254,345
Provision for the year (Note 24)	<u>631,778</u>	<u>-</u>
Balance at end of year	P <u>12,886,123</u>	P <u>12,254,345</u>

NOTE 12 – ASSET HELD FOR SALE

Asset held for sale amounting to P371,371,502 and P415,410,450 as of December 31, 2017 and 2016, respectively, which constitutes 64% and 70% of the Parent Company's total assets as of December 31, 2017 and 2016, 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, management decided to discontinue operations and ceased operating as a going concern. The remaining 40% interest of Polymax in NPCA, which is for sale, is valued at P900 million, which is the estimated recoverable amount from the sale of the investment. 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 20% interest in NPCA, which is for sale. In this regard and to ensure the recoverability of the Parent Company's advances to Polymax, 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.

On December 16 and 22, 2015, the Company was able to collect advances from Polymax amounted to P300 million and P73 million, respectively.

During 2017, the Company made additional collections of the advances from Polymax amounting to P44,038,948.

Condensed unaudited financial information of Polymax as of December 31, 2017 and 2016 prepared on the liquidation basis of accounting is shown in the table below.

Particulars	2017	2016
Assets		
Cash and cash equivalents	P 130,966,060	P 130,966,060
Assets held for sale	347,720,000	347,720,000
Due from related parties	<u>113,394,361</u>	<u>157,433,309</u>
Total assets	<u>592,080,421</u>	<u>636,119,369</u>
Liabilities		
Liabilities related to asset held for sale	994,668,446	994,668,446
Due to Metro Alliance Holdings and Equities Corp.	371,371,502	415,410,450
Other payable	<u>49,030,000</u>	<u>49,030,000</u>
Total liabilities	<u>1,415,069,948</u>	<u>1,459,108,896</u>
Capital deficiency	P <u>822,989,527</u>	P <u>822,989,527</u>

Assets held for sale of Polymax pertains to the estimated recoverable value of Polymax's remaining 20% interest in NPCA.

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

Liabilities related to asset held for sale of Polymax 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.

Polymax's share in the net loss of NPCA amounted to P293 million in 2017 and P172.4 million in 2016; 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 P450 million.

NOTE 13 – AVAILABLE-FOR-SALE INVESTMENT
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As of December 31, the account consists of:

Particulars	2017	2016
At acquisition cost	P 16,270,963	P 3,770,963
Cumulative fair value gain– in equity	<u>10,398,922</u>	<u>1,058,422</u>
Total	<u>P 26,669,885</u>	<u>P 4,829,385</u>

The investment in securities consists of investment in shares of stock of a publicly-listed company whose fair value is based on published prices on Philippine Stock Exchange; and unquoted equity investment carried at cost.

The reconciliation of the carrying amounts of investments is as follows:

Particulars	2017	2016
Beginning balance	P 4,829,385	P 4,973,085
Additions	<u>12,500,000</u>	-
Fair value gain (loss)	<u>9,340,500</u>	<u>(143,700)</u>
Total	<u>P 26,669,885</u>	<u>P 4,829,385</u>

For the year 2017, the Group made an investment with Taguig Lake City Development Corporation, a non-listed entity, amounting to P12,500,000 whose primary activity is to engage in real estate development.

Movements in the net unrealized gain (loss) on available-for-sale financial assets are as follows:

Particulars	2017	2016
Beginning balance	P 1,058,422	P 1,202,122
Fair value gain (loss)	<u>9,340,500</u>	<u>(143,700)</u>
Total	<u>P 10,398,922</u>	<u>P 1,058,422</u>

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 14 – PROPERTY AND EQUIPMENT

As of December 31, 2017, this account consists of the following:

Particulars	Beginning Balances	Additions/ Provisions	Disposals/ Adjustments	Ending Balances
Cost:				
Leasehold improvements	P 1,663,541	618,608	-	P 2,282,149
Machinery and equipment	21,960,958	2,500,785	-	24,461,743
Office furniture, fixtures and equipment	14,073,329	602,615	-	14,675,944
Total	37,697,828	3,722,008	-	41,419,836
Accumulated depreciation:				
Leasehold improvements	1,353,044	160,429	-	1,513,473
Machinery and equipment	20,216,831	1,491,428	-	21,708,259
Office furniture, fixtures and equipment	13,491,868	282,212	-	13,774,080
Total	P 35,061,743	1,934,069	-	P 36,995,812
Net Book Value	P 2,636,085			P 4,424,024

As of December 31, 2016, this account consists of the following:

Particulars	Beginning Balances	Additions/ Provisions	Disposals/ Adjustments	Ending Balances
Cost:				
Leasehold improvements	P 1,549,117	114,424	-	P 1,663,541
Machinery and equipment	21,849,404	111,554	-	21,960,958
Office furniture, fixtures and equipment	13,574,317	499,012	-	14,073,329
Total	36,972,838	724,990	-	37,697,828
Accumulated depreciation:				
Leasehold improvements	1,196,763	156,281	-	1,353,044
Machinery and equipment	18,843,747	1,373,084	-	20,216,831
Office furniture, fixtures and equipment	13,179,479	312,389	-	13,491,868
Total	P 33,219,989	1,841,754	-	P 35,061,743
Net Book Value	P 3,752,849			P 2,636,085

NOTE 15 – OTHER NON-CURRENT ASSETS

As of December 31, this account is composed of the following:

	2017	2016
Refundable deposits – non-current portion	P 3,846,440	P 6,527,030
Intangible assets	860,831	844,143
Total	P 4,707,271	P 7,371,173

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, 2017 is as follows:

Particulars	Beginning Balances	Additions/ Amortization	Disposals/ Adjustments	Ending Balances
Cost:				
Short messaging	P 135,135	-	-	P 135,135
Warehouse management system	1,309,910	-	-	1,309,910
Caerus accounting system	1,025,000	-	-	1,025,000
SAP Business one	933,000	309,446	-	1,242,446
Total	3,403,045	309,446	-	3,712,491
Accumulated depreciation:				
Short messaging	135,135	-	-	135,135
Warehouse management system	1,309,910	-	-	1,309,910
Caerus accounting system	1,025,000	-	-	1,025,000
SAP Business one	88,857	292,758	-	381,615
Total	P 2,558,902	292,758	-	P 2,851,660
Net Book Value	P 844,143			P 860,831

The carrying amount of intangible assets as of December 31, 2016 is as follows:

Particulars	Beginning Balances	Additions/ Amortization	Disposals/ Adjustments	Ending Balances
Cost:				
Short messaging	P 135,135	-	-	P 135,135
Warehouse management system	1,309,910	-	-	1,309,910
Caerus accounting system	1,025,000	-	-	1,025,000
SAP Business one	-	933,000	-	933,000
Total	2,470,045	933,000	-	3,403,045
Accumulated depreciation:				
Short messaging	135,135	-	-	135,135
Warehouse management system	1,309,910	-	-	1,309,910
Caerus accounting system	469,444	292,857	(262,699)	1,025,000
SAP Business one	-	88,857	-	88,857
Total	P 1,914,489	381,714	(262,699)	P 2,558,902
Net Book Value	P 555,556			P 844,143

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.

In 2016, the management decided to fully amortize the Caerus accounting system as the intangible assets is no longer functional. Impairment loss amounted to P262,699 which was presented as part of operating expenses in the statements of comprehensive income.

NOTE 16 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Details of this account are as follows:

Particulars	2017	2016
Trade payables	₱ 85,940,277	₱ 71,525,568
Accrued expenses	344,569,843	360,831,742
Other liabilities	10,817,466	21,729,054
Total	₱ 441,327,586	₱ 454,086,364

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

Accrued expenses 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.

During the year, the Parent Company reversed accruals made which pertains to director's fee and share in operating expenses amounting to ₱8,390,000 as well as long outstanding liability amounting to ₱18,500 for which assessment disclosed remote probability of settlement. As a result, an adjustment to the prior year's operation was made, which pertains to the restatement of the expense relative to the liability recognized (see Note 30).

Other liabilities mainly pertain to payable to government agencies.

NOTE 17 – DUE TO RELATED PARTIES

As of December 31, 2017, this account consists of:

Particulars	Beginning Balance	Additions	Payments/ Adjustments	Ending Balance
Acesite (Phils.) Hotel Corporation	₱ 5,627,202	₱ -	₱ -	₱ 5,627,202
The Wellex Group, Inc. (TWGI)	34,437,524	14,852,960	49,290,484	-
Wellex Mining Corporation	225,000	-	225,000	-
Others	(4,573,125)	118,556	(5,166,198)	711,629
Total (Note 27)	₱ 35,716,601	₱ 14,971,516	₱ 44,349,286	₱ 6,338,831

As of December 31, 2016, this account consists of:

Particulars	Beginning Balance	Additions	Payments/ Adjustments	Ending Balance
<i>Due from affiliates</i>				
Acesite (Phils.) Hotel Corporation	P 5,627,202	P -	P -	P 5,627,202
The Wellex Group, Inc. (TWGI)	31,472,501	2,965,023	-	34,437,524
Wellex Mining Corporation	225,000	-	-	225,000
PHES	28,000	-	28,000	-
Others	(4,574,325)	1,200	-	(4,573,125)
Subtotal	<u>32,778,378</u>	<u>2,966,223</u>	<u>28,000</u>	<u>35,716,601</u>
<i>Due from stockholders</i>				
Stockholders	250,000	-	250,000	-
Total (Note 27)	<u>P 33,028,378</u>	<u>P 2,966,223</u>	<u>P 278,000</u>	<u>P 35,716,601</u>

The amounts due to related parties pertain to unsecured and noninterest bearing 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.

NOTE 18 – INCOME TAXES

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

Particulars	2017	2016
NCIT	P 8,031,350	P 7,481,150
Current tax expense	8,031,350	7,481,150
Deferred tax expense (benefit)	<u>529,575</u>	<u>(3,403,620)</u>
Aggregate tax expense	<u>P 8,560,925</u>	<u>P 4,077,530</u>

- 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	2017	2016
Provision for (benefit from) income tax loss at statutory tax rate	P 7,492,741	P 3,974,057
Tax effects of:		
Trade receivables written off	-	97,795
Nondeductible interest and other expenses	21,309	22,187
Change in unrecognized deferred tax assets	1,119,388	-
Interest and dividends	<u>(72,513)</u>	<u>(16,509)</u>
	<u>P 8,560,925</u>	<u>P 4,077,530</u>

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

Particulars	2017	2016
Deferred tax assets:		
Allowance for probable losses	P 444,708	P 1,587,461
Accrued retirement benefits costs	1,133,110	1,560,033
Unrealized foreign exchange loss	2,234,033	1,299,807
Accrued rent	-	776,247
NOLCO	718,221	718,221
	<u>4,530,072</u>	5,941,769
Deferred tax liability	-	(1,432)
Net deferred tax assets	<u>P 4,530,072</u>	<u>P 5,940,337</u>

d. Deferred tax assets of the Parent Company and its non-operating subsidiaries amounting to P50,379,389 and P54,006,033 as of December 31, 2017 and 2016, 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	2017	2016
Allowance for probable losses	P 158,020,909	P 157,389,131
NOLCO	8,940,702	21,661,295
Accrued retirement benefits costs	969,685	969,685
Total	<u>P 167,931,296</u>	<u>P 180,020,111</u>

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

Year incurred	Amount	Applied	Expired	Balance	Expiry date
2017	P 3,826,714	P -	P -	P 3,826,714	2020
2016	3,387,063	-	-	3,387,063	2019
2015	1,726,925	-	-	1,726,925	2018
2014	16,547,307	-	16,547,307	-	2017
Total	<u>P 25,488,009</u>	<u>P -</u>	<u>P 16,547,307</u>	<u>P 8,940,702</u>	

NOTE 19 – CAPITAL STOCK

a. The Group's capital stock as of December 31, 2017 and 2016 consists of the following common shares:

Particulars	2017	2016
Class "A" – ₱1 par value		
Authorized – 720,000,000 shares with par value of ₱1	₱ <u>720,000,000</u>	₱ 720,000,000
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>629</u>	<u>629</u>
Class "B" – ₱1 par value		
Authorized – 480,000,000 shares with par value of ₱1	₱ <u>480,000,000</u>	₱ 480,000,000
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>404</u>	<u>404</u>
Additional Paid-in Capital	₱ <u>3,571,923</u>	₱ <u>3,571,923</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 20 – CUMULATIVE DEFICIT

This account consists of cumulative balance of periodic earnings and prior period adjustments, if any.

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

Particulars	2017	2016
Cumulative deficit, beginning	₱ (234,043,783)	₱ (235,129,968)
Prior period adjustment (Note 30)	<u>8,408,500</u>	<u>(203,348)</u>
Cumulative deficit, as adjusted	<u>(225,635,283)</u>	<u>(235,333,316)</u>
Net income based on the face of AFS	<u>21,968,182</u>	9,240,050
Add: Non-actual gain/unrealized loss		
Unrealized gain or loss on re-measurement of AFS	(9,340,500)	143,700
Remeasurement gain on retirement plan	<u>(2,054,944)</u>	<u>(3,601,487)</u>
Less: Non-controlling interest in net income	<u>(7,034,272)</u>	<u>(4,492,730)</u>
Net income actual/realized	<u>3,538,466</u>	<u>1,289,533</u>
Cumulative deficit, end	₱ <u>(222,096,817)</u>	₱ <u>(234,043,783)</u>

NOTE 21 – SALE OF SERVICES

For the years ended December 31, 2017 and 2016, the account comprises of sale of services amounting to P224,220,913 and P180,131,349, respectively.

NOTE 22 – COST OF SERVICES

As of the years ended December 31, the account consists of:

Particulars	2017	2016
Personnel costs	P 87,587,102	P 54,002,689
Rent and utilities	40,273,008	32,463,709
Transportation and travel	35,479,886	37,890,301
Security services	6,518,707	3,406,357
Outside services	3,382,128	8,477,422
Depreciation (Note 14)	1,526,517	1,716,811
Repairs and maintenance	551,322	440,400
Communication and office supplies	437,774	931,949
Others	1,693,854	1,679,337
Total	P 177,450,298	P 141,008,975

NOTE 23 – OTHER INCOME

As of the years ended December 31, the account consists of:

Particulars	2017	2016
Interest income	P 242,685	P 61,280
Dividend income	-	15,714
Other income	11,510	153,847
Total	P 254,195	P 230,841

NOTE 24 – EXPENSES

As of the years ended December 31, the account consists of:

Particulars	2017	2016
Personnel costs	P 9,676,561	P 12,469,111
Professional fees	2,804,643	2,052,704
Taxes and licenses	2,745,280	1,489,725
Provision for probable losses (Notes 10 and 11)	2,189,120	3,714,664
Entertainment	2,077,981	2,693,636
Communication and supplies	1,694,507	1,344,195
Rent and utilities	1,210,935	1,376,872
Impairment loss (Note 10 and 11)	1,059,934	546,124
Depreciation (Note 14)	407,552	124,943
Transportation and travel	382,589	482,736
Amortization of intangible assets (Note 15)	292,758	381,714
Insurance	53,399	24,676
Others	3,016,643	2,792,322
Total	P 27,611,902	P 29,493,422

Other expenses include foreign exchange losses, outside services fee and miscellaneous expenses.

NOTE 25 – FINANCE COST

For the years ended December 31, 2017 and 2016, the account comprises of interest expense amounting to P279,245 and NIL, respectively.

NOTE 26 – 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:

Particulars	2017	2016
Current service cost	P 1,233,313	P 2,032,099
Interest cost	<u>279,245</u>	<u>336,611</u>
Total retirement expense	P <u>1,512,558</u>	P <u>2,368,710</u>

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

Particulars	2017	2016
Present value of benefit obligation	P 4,833,310	P 6,255,525
Fair value of plan assets	<u>(86,592)</u>	<u>(85,731)</u>
Liability recognized in the balance sheet	P <u>4,746,718</u>	P <u>6,169,794</u>

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

Particulars	2017	2016
Present value of obligation at beginning of year	P 6,255,525	P 9,030,323
Current service cost	1,233,313	2,032,099
Interest cost on benefit obligation	273,266	403,984
Actuarial gain	<u>(2,928,794)</u>	<u>(5,210,881)</u>
Present value of obligation at end of year	P <u>4,833,310</u>	P <u>6,255,525</u>

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

Particulars	2017	2016
Fair value of plan assets at beginning of year	P 85,731	P 84,258
Expected return on plan assets	(5,979)	67,373
Actuarial gain (loss) on plan assets	<u>6,840</u>	<u>(65,900)</u>
Fair value of plan assets at end of year	P <u>86,592</u>	P <u>85,731</u>

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

Particulars	2017	2016
Liability recognized at beginning of the year	P 6,169,794	P 8,946,065
Retirement expense	1,512,558	2,368,710
Other comprehensive income	(2,935,634)	(5,144,981)
Liability recognized at end of the year	P 4,746,718	P 6,169,794

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

Particulars	2017	2016
Retirement benefits costs – OCI, beginning	P 5,995,166	P 2,393,679
Actuarial gain recognized	2,935,634	5,144,981
Deferred tax	(880,690)	(1,543,494)
Retirement benefits costs – OCI, ending	P 8,050,110	P 5,995,166
Percentage of ownership	51%	51%
Equity holders of parent	4,105,556	3,057,535

The major categories of plan assets are as follows:

Particulars	2017	2016
Cash and cash equivalents	P 812	P 812
Investment in Unit Investment Trust Funds	85,780	84,919
Total	P 86,592	P 85,731

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

Particulars	2017	2016
Discount rate	5.73%	5.37%
Salary increase rate	3.00%	2.00%

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, 2017 is as shown below:

Impact on Net Defined Benefit Obligation	Sensitivity Level			
	1% Increase		1% Decrease	
	In %	Amount	In %	Amount
Discount rate	6.73%	3,533,948	4.73%	4,245,920
Future salary increases	4.00%	4,278,704	2.00%	3,500,367

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 5.73% and 2.00%, respectively.

The average duration of the defined plan obligation at the end of the reporting period is 15.59 years and 18.30 years in 2017 and 2016, respectively.

NOTE 27 - RELATED PARTY TRANSACTIONS

a. Due from/to related parties

The amounts due to related parties pertain to unsecured and noninterest bearing 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.

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.

c. Compensation of key management personnel follows:

<u>Particulars</u>	<u>2017</u>	<u>2016</u>
Short-term employee benefits	P <u>17,938,847</u>	P <u>9,241,800</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.

d. The related amounts applicable to the Group's transactions with related parties as of December 31, 2017 are as follows:

Particulars	Relationship	Beginning Balance	Additions	Collections/ Payments	Ending Balance	Nature, Terms and Conditions	Nature of consideration to be provided in settlement
Due from related parties:							
The Wellex Group, Inc.	Affiliate	P 5,416,174	P -	P 157,565	P 5,258,609	Non-interest bearing and unsecured borrowing	Cash collection
Others	Affiliate	<u>50,297</u>	<u>-</u>	<u>-</u>	<u>50,297</u>	Non-interest bearing and unsecured borrowing	Cash collection
Total (Note 10)		<u>P 5,466,471</u>	<u>P -</u>	<u>P 157,565</u>	<u>P 5,308,906</u>		
Advances (Asset held for Sale):							
Polymax (Note 12)	Special purpose entity	P 415,410,450	P -	P 44,038,948	P 371,371,502	Represents 20% share investment in NPCA	Cash collection
Due to related parties:							
Acesite (Phils.) Hotel Corporation	Affiliate	P 5,627,202	P -	P -	P 5,627,202	Non-interest bearing and unsecured borrowing	Cash settlement
Wellex Mining Corp.	Affiliate	225,000	-	225,000	-	Non-interest bearing and unsecured borrowing	Cash settlement
The Wellex Group, Inc.	Affiliate	34,437,524	14,852,960	49,290,484	-	Funding for working capital requirements	Cash settlement
Others	Affiliate	<u>(4,573,125)</u>	<u>118,556</u>	<u>(5,166,198)</u>	<u>711,629</u>	Non-interest bearing and unsecured borrowing	Offsetting of accounts
Total (Note 17)		<u>P 35,716,601</u>	<u>P 14,971,516</u>	<u>P 44,349,286</u>	<u>P 6,338,831</u>		

During 2017, the Parent Company collected advances from Polymax Worldwide, Limited amounting to P44,038,948.

The related amounts applicable to the Group's transactions with related parties as of December 31, 2016 are as follows:

Particulars	Relationship	Beginning Balance	Additions	Collections / Payments	Ending Balance	Nature, Terms and Conditions	Nature of consideration to be provided in settlement
Due from related parties:							
The Wellex Group, Inc.	Affiliate	P 5,416,174	P -	P 82,580	P 5,333,594	Non-interest bearing and unsecured borrowing	Cash collection
Others	Affiliate	50,297	-	-	50,297	Non-interest bearing and unsecured borrowing	Offsetting of accounts
Total (Note 10)		P 5,466,471	P -	P 82,580	P 5,383,891		
Advances (Asset held for Sale):							
Polymax (Note 12)	Special purpose entity	P 415,410,450	P -	P -	P 415,410,450	Represents 20% investment share in NPCA	Cash collection
Due to related parties:							
Acesite (Phils.) Hotel Corporation	Affiliate	P 5,627,202	P -	P -	P 5,627,202	Non-interest bearing and unsecured borrowing	Cash settlement
Wellex Mining Corp.	Affiliate	225,000	-	-	225,000	Non-interest bearing and unsecured borrowing	Cash settlement
The Wellex Group, Inc.	Affiliate	31,472,501	2,965,023	-	34,437,524	Funding for working capital requirements	Cash settlement
Philippine Estate Corp.	Affiliate	28,000	-	28,000	-	Non-interest bearing and unsecured borrowing	Cash settlement
Individuals	Stockholders	250,000	-	250,000	-	Non-interest bearing and unsecured borrowing	Cash settlement
Others	Affiliate	(4,574,325)	1,200	-	(4,573,125)	Non-interest bearing and unsecured borrowing	Offsetting of accounts
Total (Note 17)		P 33,028,378	P 2,966,223	P 278,000	P 35,716,601		

In 2016, the Parent Company was not able to collect advances from Polymax Worldwide, Limited.

NOTE 28 – LEASE AGREEMENT

As of December 31, 2017 and 2016, the Parent Company and MCLSI, operating subsidiary, has several agreements with various entities for lease of commercial space and offices. The future lease liabilities on these agreements are presented as follows:

Particulars	2017	2016
Within one year	P 20,190,968	P 28,129,332
After one year but not more than five years	7,526,518	36,603,170
Total	P 27,717,486	P 64,732,502

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

Particulars	2017	2016
Cost of services	P 39,211,363	P 31,563,965
Operating expense	1,029,650	1,171,800
Total	P 40,241,013	P 32,735,765

28.1 Office space

- a) The Parent Company entered into an operating lease agreement with The Wellex Group, Inc. for a business space in the 35th floor of One Corporate Centre, Dona Julia Vargas cor. Meralco Ave., Ortigas Center Pasig City. The term of the lease is from May 1, 2016 until April 30, 2018 and shall be renewable for another period of two (2) years with adjustments in the rental rates as agreed by the parties. Monthly rental for the leased premises amounts to P21,000, exclusive of VAT.
- b) During the year, MCLSI renewed the lease contract for its office space. The term of the contract is (1) year commencing of February 1, 2017 and ending on January 31, 2018, renewable subject to the terms and conditions as may be mutually agreed upon. Monthly rental payments amounted to P71,150.

28.2 Warehouses

- a) MCLSI entered in lease contract for a warehouse and office building located at warehouse #6 along E. Rodriguez St., Tunasan, Muntinlupa City. The lease term is for a period of two (2) years commencing on April 14, 2014 until April 14, 2016 with monthly rental payments of P233,835. The contract was renewed on February 12, 2016 for another 2 years commencing on April 15, 2016 and expiring on April 14, 2018 with a new monthly rental amounted to P257,219. Rental deposits paid amounted to P771,655, equivalent to three (3) months rental to answer for any of its obligations and to be refunded upon the expiration of lease term after the termination of the contract.
- b) MCLSI entered into new lease contracts for a warehouse, and parking and open space located at 21st St Golden Mile Business Park, Brgy. Maduya Carmona, Cavite. The lease term is for a period of three (3) years commencing on November 3, 2015 until November 2, 2018 with monthly rental payments of P330,691. Rental deposits amounted to P981,764 equivalent to three (3) months rental to answer for any of its obligation and to be refunded upon the expiration of the contract.
- c) MCLSI entered into another lease contract for warehouse, and parking and open space located at 21st Golden Mile Business Park, Brgy. Maduya Carmona, Cavite. The lease term is also for three (3) years commencing on October 12, 2015 until October 11, 2018 with monthly rental payments of P350,162. Rental deposits amounted to P927,171 equivalent to three (3) months rental to answer for any of its obligation and also to be refunded upon the termination of the lease contract.

- d) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at 21st St Golden Mile Business Park, Brgy. Maduya Carmona, Cavite with a covered area of 1,965 sqm. The lease term is for a period of three (3) years commencing on October 16, 2016 and automatically terminating on October 15, 2019 with monthly rental payments of P336,408. A 5% escalation will start on the third year. Rental deposits amounted to P943,200 and to be refunded upon the expiration of the contract.
- e) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at 21st St. Golden Mile Business Park, Brgy. Maduya Carmona, Cavite with a covered area of 1,877sqm. The lease term is for a period of three (3) years commencing on November 7, 2016 and automatically terminating on November 6, 2019 with monthly rental payments of P321,342. A 5% escalation will start on the third year. Rental deposits paid amounted to P900,960 to answer for any of its obligation and to be refunded upon the expiration of the contract.
- f) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at Block 8 Lot 10, Golden Mile Business Park, Brgy. Maduya Carmona, Cavite with a covered area of 2,522 sqm and open area of 1,045 sqm. The lease term is for a period of three (3) years commencing on March 1, 2016 and automatically terminating on February 29, 2019 with monthly rental payments of P390,611 for the first two years and P411,170 for the third year. Rental deposits paid amounted to P1,046,280 to answer for any of its obligation and to be refunded upon the expiration of the contract.
- g) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at Elisco Street, Brgy. Kalawan, Pasig City, with a covered area of 2,460 sqm and open area of 1,196 sqm. The lease term is for a period of three (3) years commencing on November 26, 2016 and expiring on the midnight of November 25, 2019 with monthly rental payments of P511,460 with an escalation of 7% starting on the second year. Upon execution of the contract, the Company had paid three months' advance rental amounted to P1,534,380 and another two months' security deposit amounted to P956,000.

NOTE 29 – 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 30 – PRIOR PERIOD ADJUSTMENT

In 2017, the Group's current year's operations was restated to effect the adjustment relating to reversal of accrued expenses amounting to P8,390,000 recognized in prior years; for which assessment revealed that the Company is no longer liable.

Accounts	Beginning Balance as of January 1, 2017	Adjustments/ Corrections	Adjusted Beginning Balance
Accounts payable and accrued expenses	454,086,364	(8,408,500)	445,677,864
Cumulative deficit	(234,043,783)	8,408,500	(225,635,283)

In 2016, the Group's current year's operations were restated to recognize the adjustment on the cumulative deficit which represents unrecognized prior year's excess tax credits amounting to P203,348.

Accounts	Beginning Balance as of January 1, 2016	Adjustments/ Corrections	Adjusted Beginning Balance
Cumulative deficit	(235,129,968)	(203,348)	(235,333,316)

NOTE 31 – BASIC INCOME 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	2017	2016
Net income loss attributable to equity holders of the Parent Company	P 3,538,466	P 1,289,533
Weighted average number of common shares	306,122,449	306,122,449
Basic Income Per Share	P 0.012	P 0.004

NOTE 32 – OTHER MATTERS

As of December 31, 2017, the Company has the following legal cases:

a. Metro Alliance vs. Commissioner of Internal Revenue

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 P83.8 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 December 31, 2017, 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 Parent Company financial statements.

b. Metro Alliance and Philippine Estate Corporation vs. Philippine Trust Company, et al., Civil Case SCA#TG-05-2519

On September 14, 2005, the Parent Company and Philippine Estate Corporation (PEC) filed a Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, and Annulment in Decrease in Interest rates, Service Charge, Penalties and Notice of Sheriff's Sale, plus Damages with prayer for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction. The case stemmed from imminent extra-judicial foreclosure of four (4) mortgaged Tagaytay lots covered by Transfer Certificate of Title (TCT) Nos. T-355222, T-35523, T-35524 and T-35552 subject to the Real Estate Mortgage executed by MAHEC and PEC securing P280 million loan obtained by MAHEC and PEC last December 2003.

On October 6, 2005, the Regional Trial Court (RTC) of Tagaytay City issued and granted the Writ of Preliminary Injunction (first injunction). The preliminary injunction issued by the RTC stopping the foreclosure was nullified by both Court of Appeals and Supreme Court, after which Philtrust proceeded to foreclose, and acquired those properties for only P165.8 million. When MAHEC and PEC failed to redeem, Philtrust consolidated title and Tagaytay registry issued new TCTs cancelling PEC's TCT. On October 10, 2011, MAHEC filed Notice *Lis Pendens* vs. four (4) new TCTs of Philtrust.

The case is now back to Tagaytay RTC for trial hearings under new acting Judge Jaime Santiago. MAHEC and PEC already presented witnesses. Next trial hearing is set on April 12, 2016 for presentation of plaintiff's last witness for explanation of why the checks issued in 2004 in favor of Philtrust Bank intended to settle the loan were all dishonored and were returned unpaid.

The Parent Company was able to get the formal trial started and on-going. The Parent Company's most important move was the presentation of a very competent real estate appraiser, realtor, Cesar Santos, who was able to successfully defend in court his P811.6 million valuation of the foreclosed Tagaytay properties. Trial hearings are on-going and it is now defendant Bank's turn to adduce evidence. Plaintiffs have closed their evidence presentation wherein all offered evidences were admitted, over the objections of defendant Bank. At the last hearing held on December 6, 2016, defendant Bank's star witness was subjected to Plaintiff's cross-examination wherein they obtained many damaging admissions against the Bank. Plaintiff's counsels cross-examination will resume at trial hearing set for April 25, 2017.

Damages sought are P1,000,000 as and by way of exemplary damages and P500,000 as and by way of attorney's fees; litigation expenses and cost of suit.

c. MAHEC, POLYMAX & WELLEX vs. Phil. Veterans Bank., et al., Civil Case #08-555, RTC Makati Branch 145

The case is an injunction suit with damages filed on July 23, 2008 in RTC-Makati to nullify the foreclosure of Pasig lot securing a P350 million loan obtained by MAHEC, Polymax and Wellex. Initially, Temporary Restraining Order (TRO) and preliminary injunction was issued, but afterwards, it was lifted, enabling Philippine Veterans Bank (PVB) to foreclose. In successive certiorari cases that plaintiffs filed, both Court of Appeals (CA) and Supreme Court (SC) upheld PVB. Worse yet, due to major lapse of the plaintiff's original counsels, *lis pendens* on foreclosed Pasig lot was cancelled, and in March 2012, PVB sold the lots to Zen Sen Realty Development Corporation who got new Transfer Certificate of Title (TCT). The above case was consolidated with other case of affiliated company with the same RTC. In 2013, Company's legal counsel brought Zen Sen Realty Development Corporation as defendant also, and prayed that the PVB sale to it be nullified. In October 2014, Company's legal counsel dropped Zen Sen Realty as an unnecessary defendant, after which DECISION was rendered vs. PVB on January 9, 2015, declaring the P550M loan (total loan of MAHEC, Polymax, Wellex and other affiliated companies) as fully paid, and even over-paid; discharging all the mortgages, and voiding the 2012 sale made to Zen Sen. PVB was ordered to refund to plaintiffs the P3.25 million overpayment. PVB filed a motion for reconsideration which was denied. PVB filed Notice of Appeal to Court of Appeal on May 8, 2015, which the Company's legal counsel questioned as defective, but the RTC ruled against the company in its May 12, 2015 Order. The consolidated case is now on appeal in the Court of Appeals as CA-GR CV #105323. Appellant-defendant Bank filed last December 2016 its Appellant's Brief. The Company's legal counsel is given 45 days to file their Brief and eventually requested for another 30 days extension to finish and file said Appellees' Brief.

- d. There are also other pending legal cases against the Parent 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 Parent Company's financial position and result of operations.

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

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

I. SUPPLEMENTAL SCHEDULES REQUIRED BY ANNEX 68-E AS AT DECEMBER 31, 2017

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	-	P 36,538,607	36,538,607	242,685
AFS Financial Assets				
Waterfront Philippines, Inc	-	14,082,590	14,082,590	
Others	-	12,587,295	12,587,295	
Total		P 26,669,885	26,669,885	

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)	P 415,410,450	(44,038,948)	-	-	371,371,502	371,371,502
The Wellex Group, Inc	5,416,174	(157,565)	-	5,258,609	-	5,258,609
Others	50,297	-	-	50,297	-	50,297
Total	P 420,876,921	(44,196,513)	-	5,308,906	371,371,502	376,680,408

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/ consolidated	Amounts written-off	Current	Non-current	Balance at end of period
Due to related party Metro Combined Logistics Solutions, Inc	P -	500,000	-	-	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	P 844,143	309,446	292,758			860,831

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 SUBSIDIARES

II. SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS AS AT DECEMBER 31, 2017

The following table summarizes the effective standards and interpretations as at December 31, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		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			✓
	Amendments to PFRS 1: Meaning of Effective PFRSs	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
	Amendment of PFRS 2: Classification and Measurement of Share- Based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting to Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendment to PFRS 5: Sale of Controlling Interest in the Subsidiary			✓
	Amendment to PFRS 5: Changes in methods of disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
	Amendment to PFRS 6: Transition Relief			✓
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	✓		
	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	✓		
	Amendment to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9			✓
	Amendment to PFRS 7: Servicing Contracts and Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments			✓
	Amendments to PFRS 8: Disclosures of Operating Segments			✓
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments	✓		
	Financial Instruments: Classification and Measurement of Financial Liabilities	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Reissue to incorporate a hedge accounting chapter and permit early application of the requirements for presenting in other comprehensive income the "own credit" gains or losses on financial liabilities designated under the fair value option without early applying to other requirements of PFRS 9			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Financial Instruments (final version), incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisition of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Applying the Consolidation Exception			✓
	Amendments to PFRS 12: Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short- Term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers			✓
PFRS 16	Leases	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	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: Classification of Derivatives as Current or Non-Current	✓		
	Amendments to PAS 1 - Classification of Liabilities as Current	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of Statement of Changes in Equity	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Comparative information	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
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	✓		
	Amendments to PAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation on Revaluation			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41, Agriculture; Bearer Plants			✓
PAS 17	Leases	✓		
	Amendments to PAS 17: Classification of Land Leases			✓
PAS 18	Revenue	✓		
	Amended by IAS 39 Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 18: Guidance for Determining Whether an Entity is Acting as a Principal or as an Agent.			✓
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendments to PAS 19: Discount Rate: Regional Market			✓
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, 2017		Adopted	Not Adopted	Not Applicable
PAS 23 (Revised)	Borrowing Costs			✓
	Amendment to PAS 23: Requirement of Capitalization of Borrowing Cost			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments for investment entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
	Amendments for investment entities			✓
PAS 28	Investments in Associates and Joint Ventures			✓
PAS 28 (Amended)	Amendments to PAS 28: Investment Entities – Applying the Consolidation Exception			✓
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	✓		
	Amendments to PAS 32: Tax Effect of Equity Distributions	✓		
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Disclosure of Estimates Used to Determine a Recoverable Amount	✓		
	Amendments to PAS 36: Units of Accounting for Goodwill Impairment Testing Using Segments Under PFRS 8 Before Aggregation			✓
	Amendments to PAS 36: Recoverable Amount Disclosures for Non- Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Proportionate Restatement of Accumulated Depreciation on Revaluation			✓
	Amendments to PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 38: Measurement of Intangible Assets in Business Combinations			✓
	Amendments to PAS 38: Proportionate Restatement of Accumulated Depreciation Under the Revaluation Method			✓
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			✓
	Amendments to PAS 39: Reclassifications of Financial Assets	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
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 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>			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
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			✓
	Amendments to Philippine Interpretations IFRIC 16: Entity That Can Hold Hedging Instruments			✓
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.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARES

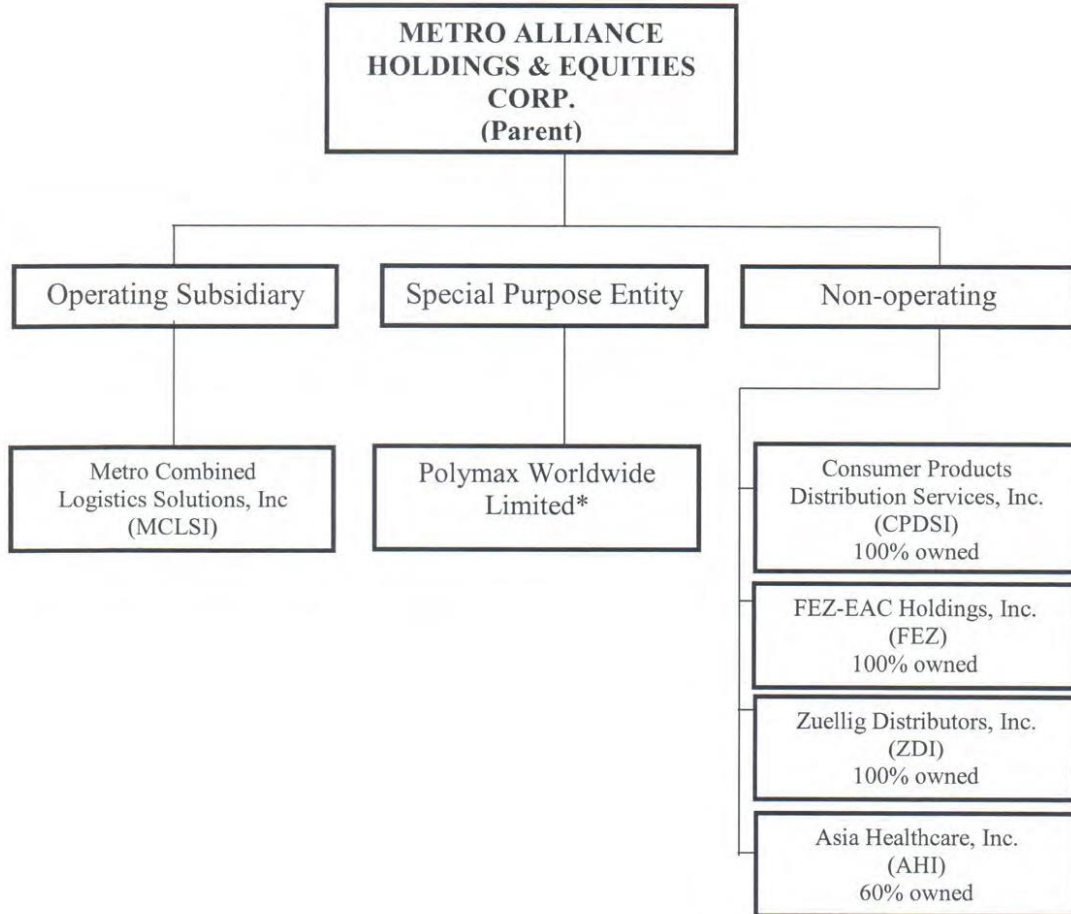
III. RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION FOR THE YEAR ENDED DECEMBER 31, 2017

Not applicable*

*The Parent Company's Retained Earnings as of December 31, 2017 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, 2017



*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, 2017

<u>Financial Ratios</u>	<u>Description</u>	<u>2017</u>	<u>2016</u>
Current / liquidity ratio	Current assets over current liabilities	0.38	0.32
Asset to equity ratio	Total asset over total equity	4.55	6.10
Net debt to equity ratio	Interest - bearing loans and borrowings less cash over total equity	-	-
Debt-to-equity ratio	Short term loans over total equity	-	-
Solvency ratio	After tax net profit plus depreciation over total liabilities	0.05	0.02
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	-	-
Gross profit margin	Gross profit over net revenues	21%	22%
Net income margin	Net income over net revenues	5%	3%

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

**Unaudited Financial Statements
For the Quarter Ended
June 30,2018 and 2017**



108142018003724



SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Information

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Company Name METRO ALLIANCE HOLDINGS & EQUITIES CORP.
Industry Classification
Company Type Stock Corporation

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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, 2018
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 Centre, Doña Julia Vargas cor. Meralco Aves.
Ortigas Center, Pasig City 1605
Address of issuer's principal office Postal Code
8. (632) 706-7888
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	₱452,042,440

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**

14. Not applicable

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 2018	Apr – Jun 2017	Jan – Jun 2018	Jan – Jun 2017
Sales and services	72,374,993	57,413,210	133,203,793	112,410,444
Cost of sales and services	(56,809,672)	(19,861,848)	(107,650,512)	(45,554,091)
Gross profit	15,565,321	37,551,362	25,553,281	66,856,353
Expenses	(8,238,410)	(32,838,783)	(16,325,717)	(49,032,576)
Other income (expenses)	19,927	213	94,563	416
Net Income (Loss) Before Tax	7,346,838	4,712,792	9,322,127	17,824,193
Income tax expense	-	1,595,163	807,454	5,893,723
Net income	7,346,838	3,117,629	8,514,673	11,930,470
Attributable to:				
Equity Holders of the Parent Company	3,196,425	1,257,463	3,441,072	5,135,687
Non-controlling interest	4,150,413	1,860,166	5,073,601	6,794,784
	7,346,838	3,117,629	8,514,673	11,930,470
Earnings (Loss) Per Share – Equity Holders Of the Parent Company	₱0.0104	₱0.0041	₱0.0112	₱0.0168

Unaudited Balance Sheet

Balance Sheet	Amounts in Php		
	June 30, 2018	June 30, 2017	Dec. 31, 2017
Current assets	190,759,271	181,054,994	168,259,206
Noncurrent assets	413,967,977	430,335,684	411,702,754
Total Assets	604,727,248	611,390,678	579,961,960
Current liabilities	448,094,291	489,634,372	489,802,964
Noncurrent liabilities	3,948,149	8,946,065	4,746,718
Total Liabilities	452,042,440	498,580,436	452,413,135
Total Stockholders' Equity	152,684,808	112,810,241	127,548,825
Total Liabilities and Stockholders' Equity	604,727,248	611,390,678	579,961,960

The following companies are included in Metro Alliance consolidated financial statement: MCLSI, CPDSI, FEZ-EAC, ZDI and AHI. 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.

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:

6. Net income
7. Earnings per share – net income attributable to each share of common stock
(net income / weighted number of shares outstanding)
8. Return on average equity – ability to generate returns on investment of stockholders.
(net income / average equity)
9. Debt to total asset ratio – the proportion to total assets financed by creditors.
(total debt / total assets)
10. 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 ₱1,108,285 for the 2nd quarter of 2018 as compared to the same quarter of 2017 with net loss amounting to ₱1,856,436 million or a decrease in net loss of ₱748,151 or 40.30%. Last year's loss is significantly greater than this year due to the professional fee paid to external auditor for services rendered on prior years' financial statements in 2017.

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

Performance indicator	June 30 2018	Dec 31 2017	June 30 2017
Net income (loss) – (In Php)	(1,108,285)	(10,572,738)	(1,856,436)
Income (loss) per share (In Php)	(0.004)	(0.019)	(0.006)
Income (loss) on average equity (In Php)	(0.005)	(0.025)	(0.006)
Debt to total assets	0.442	0.440	0.506
Debt to equity	0.791	0.787	1.024

MCLSI

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 2018	Dec 31 2017	June 30 2017
<u>Profitability</u>			
a. Gross profit margin	0.215	0.209	0.595
b. Net profit margin	0.117	0.073	0.123
c. Return on assets	0.049	0.118	0.092
d. Return in equity	0.124	0.280	0.220
<u>Liquidity</u>			
a. Current ratio	2.058	1.635	1.708
b. Receivables turnover	1.733	3.006	1.514
c. Days' sales in receivables	211	121	273

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 Per Share

The Group registered a consolidated net income of ₱7.35 million for the 2nd quarter of 2018 against net income of ₱3.12 million for the 2nd quarter of 2017 or an increase of ₱4.23 million or 135.58%. Earnings per share attributable to equity holders of Parent Company are ₱0.0104 for the 2nd quarter of 2018 and ₱0.0041 for the 2nd quarter of 2017. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group. The increase is due to higher sales revenue during this quarter as compared to last year's.

Sales and Services

The Group registered gross service revenue of ₱72.37 million and ₱57.41 million for the quarters ended June 30, 2018 and 2017. The increase in revenue of ₱14.96 million or 26.06% for the 2nd quarter of 2018 is due to increase on MCLSI's lease and logistics contracts.

Cost of Sales and Services

Total cost of sales and services for the quarters ended June 30, 2018 and 2017 amounted to ₱56.81 million and ₱19.86 million, respectively. The significant increase is due to the increase in revenue from the subsidiary and due 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 2018 amounted to ₱8.24 million as compared to ₱32.8 million for the 2nd quarter of 2017 or a decrease of ₱24.56 million or 74.88%.

Other income

Other income for the quarters ended June 30, 2018 and 2017 amounted to ₱19,927 and ₱213, respectively. The account pertains to interest income and other income not arising from ordinary course of business.

c) Changes in Financial Conditions

Assets

Cash and cash equivalents for the 2nd quarter of 2018 and 2017 amounted to ₱49.52 million and ₱32.73 million, respectively. Net cash flows provided in operating activities is ₱14.64 million, net cash flows used in investing activities is ₱3.28 million and net cash flows provided in financing activities is ₱1.63 million.

Receivables amounted to ₱120.0 million as of 2nd quarter of 2018 and ₱113.4 million as of 2nd quarter of 2017 (net of allowance for doubtful accounts). Movement in the accounts is net effect of (a) increase in trade receivable by ₱9.63 million, (b) decrease in due to affiliates by ₱0.15 million, (c) decrease in other receivable by ₱6.69 million and (d) decrease in allowance for doubtful accounts by ₱3.8 million.

Other current assets amounts to ₱21.2 million and ₱34.9 million as of the 2nd quarter of 2018 and 2017 (net of allowance for probable losses of ₱12.9 million and ₱12.3 million for 2018 and 2017, respectively). The decrease by ₱13.68 million in 2nd quarter of 2018 as against the 2nd quarter of 2017 is net effect of decrease in creditable withholding taxes by ₱12.8 million, increase in input taxes by ₱3.7 million, decrease in refundable deposits by ₱.04 million, decrease in other prepayments by ₱3.9 million and increase in allowance for probable losses by ₱0.6 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 ₱370.5 million and ₱415.4 million as of June 30, 2018 and 2017 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).

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, 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 ₱26.7 million and ₱4.8 million in June 30, 2018 and 2017, respectively. This account includes shares of stocks owned in publicly listed company and unquoted equity investment carried at cost. During the latter part of 2017, the Parent Company made an investment to a non-listed entity, whose primary activity is to engage in real estate development.

Property and equipment amounted to ₱4.3 million and ₱.2 million in June 30, 2018 and 2017, respectively. Increase in property and equipment is net effect of the additions made during the year amounting to ₱0.8 million and depreciation charged of ₱.97 million.

The Group has no outstanding contractual commitments to acquire certain property and equipment as of June 30, 2018 and 2017, 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, 2018 and 2017 amounted to ₱439.16 million and ₱419.83 million, respectively. Trade payables are noninterest bearing and have credit terms of 30 to 60 days. Accrued expenses 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.

Due to related parties for the 2nd quarter of 2018 and 2017 amounted to ₱8.9 million and ₱69.8 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.

Accrued retirement benefit cost amounted to ₱3.7 million and ₱8.9 million as of June 30, 2018 2017, respectively. 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 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

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 (NPCIL) 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 owning 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.

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

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.

Relief Sought : As of June 30, 2018, 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., Civil Case SCA#TG-05-2519**

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

Name of Court : Regional Trial Court, Fourth Judicial Region, Branch 18, Tagaytay City

Status : On September 14, 2005, Metro Alliance Holdings & Equities Corp. (MAHEC) and Philippine Estate Corporation (PEC) filed a Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, and Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sale, plus Damages with prayer for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction.

The case stemmed from the imminent extra-judicial foreclosure of four (4) mortgaged Tagaytay lots covered by Transfer Certificate of Title (CTC) Nos. T-35522, T-35523, T-35524 and T-35552 subject to the Real Estate Mortgage executed by MAHEC and PEC securing ₱280M loan obtained by MAHEC and PEC last December 2003.

On October 6, 2005, the Regional Trial Court (RTC) of Tagaytay City issued and granted the Writ of Preliminary Injunction.

The preliminary injunction issued by the RTC stopping the foreclosure was nullified by both Court of Appeals and Supreme Court, after which Philtrust proceeded to foreclose, and acquired those properties for only ₱165.8M. When MAHEC and PEC failed to redeem, Philtrust consolidated title, and Tagaytay Registry of Deeds issued new TCTs, cancelling PEC's TCT.

On October 10, 2011, MAHEC filed Notice *Lis Pendens* vs. four (4) new TCTs of Philtrust.

The case is now back to Tagaytay RTC for trial hearings under new acting Judge Jaime Santiago. MAHEC and PEC already presented witnesses.

Relief Sought: As of June 30, 2018, the case is pending resolution with the Regional Court of Tagaytay, Branch 18 SCA# TG-05-2519. The Parent Company was able to get the formal trial started and on-going. The Parent Company's most important move was the presentation of a very competent real estate appraiser, realtor, Cesar Santos, who was able to successfully defend in court his ₱811.6M valuation of the foreclosed Tagaytay properties. Trial hearings are on-going and it is now defendant Bank's turn to adduce evidence. Plaintiffs have closed their evidence presentation wherein all offered evidences were admitted, over the objections of defendant Bank. At the last hearing held on December 6, 2016, defendant Bank's star witness was subjected to Plaintiff's counsel cross examination wherein they obtained many damaging admissions against the Bank. Plaintiff's counsels cross examination will resume at trial hearing set for April 25, 2017.

Damages sought are ₱1,000,000 as and by way of exemplary damages and ₱500,000 as and by way of attorney's fees; litigation expenses and cost of suit.

Case Title : **MAHEC, POLYMAX & WELLEX vs Phil. Veterans Bank, et al., Civil Case#08-555, RTC Makati Branch 145**

Factual basis : Civil Action with Damages to Nullify the Foreclosure of Property

Name of Court : Regional Trial Court Makati City Branch 145

Status : The case is an injunction suit with damages filed on July 23, 2008 in RTC-Makati to nullify the foreclosure of Pasig lot securing a ₱350M loan obtained by MAHEC, Polymax and Wellex. Initially, Temporary Restraining Order (TRO) and preliminary injunction was issued, but afterwards, it was lifted, enabling Philippine Veterans Bank (PVB) to foreclose. In successive *certiorari* cases that plaintiffs filed, both Court of Appeals (CA) and Supreme Court (SC) upheld PVB. Worse yet, due to major lapse of the plaintiff's original counsels, *lis pendens* on foreclosed Pasig lot was cancelled, and in March 2012, PVB sold the lots to Zen Sen Realty Devt. Corp. who got new Transfer Certificate of Title (TCT).

The above case was consolidated with other case of affiliated company with the same RTC. In 2013, Company's legal counsel brought Zen Sen Realty Devt. Corp. as defendant also, and prayed that the PVB sale to it be nullified. In October 2014, Company's legal counsel dropped Zen Sen Realty as an unnecessary defendant, after which DECISION was rendered vs. PVB on January 9, 2015, declaring the ₱550M loan (total loan of MAHEC, Polymax, Wellex and other affiliated companies) as fully paid, and even over-paid; discharging all the mortgages, and voiding the 2012 sale made to Zen Sen. PVB was ordered to refund to plaintiffs the ₱3.25M overpayment. PVB filed a motion for reconsideration which was denied. PVB filed Notice of Appeal to Court of Appeal on May 8, 2015, which the Company's legal counsel questioned as defective, but the RTC ruled against the Company in its May 12, 2015 Order. The consolidated case is now on appeal in the Court of Appeals as CA-GR CV#105323. Appellant-defendant Bank filed last December 2016 its Appellant's Brief. The Company's legal counsel is given 45 days to file their Brief and eventually requested for another 30 days extension to finish and file said Appellees' Brief.

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

Factual basis : Petition for Lifting of Trading Suspension

On July 20, 2015, the Company filed a comprehensive corporate disclosure in connection with the Company's petition for lifting its trading suspension which was imposed to the Company on May 21, 2007. Suspension was due to non-filing of structured reports (quarterly and annual reports) from 2007 until 2013. Inability of the Company to file such reports was due to the legal issues involving the acquisition of the petrochemical plant and the surrounding circumstances.

The Company, having resolved its disputes with foreign parties involved in the Bataan petrochemical project, was able to file its 2007 to 2013 quarterly and annual reports starting November 2014 to June 2015. Corresponding penalties amounting to ₱3.4 million was already paid.

The Company and PSE representatives met last November 5, 2015 to discuss the status of the petition and other matters to update the Exchange on the Company's operations and informed that the

settlement of the issues involving Polymax Worldwide Limited will be reflected in the Company's 2015 Audited Financial Statements. PSE, on their letter dated January 19, 2016, advised the Company that it will proceed with the completion of its evaluation of the Company's petition upon the Company's submission of the disclosure of the results of its operations and the filing of its 2015 Audited Financial Statements. The Company received various correspondences from PSE in 2016 as part of the evaluation of the Company's petition.

Status : As of June 4, 2018, the Company's trading suspension was effectively lifted by PSE 5 days after the Company submitted its Comprehensive Disclosure covering all relevant information including, among others, a detailed narration of the events and material information commencing from the trading suspension in 2007, the subsequent related developments, and the Company's business plans.

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
2018	First Quarter	-	-	-	-
	Second Quarter	2.72	2.53	2.87	2.50
2017	First Quarter	-	-	-	-
	Second Quarter	-	-	-	-
	Third Quarter	-	-	-	-
	Fourth Quarter	-	-	-	-
2016	First Quarter	-	-	-	-
	Second Quarter	-	-	-	-
	Third Quarter	-	-	-	-
	Fourth Quarter	-	-	-	-
2015	First Quarter	-	-	-	-
	Second Quarter	-	-	-	-
	Third Quarter	-	-	-	-
	Fourth Quarter	-	-	-	-

The closing market price of Class "A" and Class "B" were P2.55 and P2.78 as of June 30, 2018. PSE effectively lifted the Company's trading suspension last June 4, 2018.

(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, 2018, there are 624 holders of Class "A" shares and 402 holders of Class "B" shares.

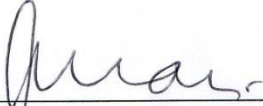
Metro Alliance's Top 20 Stockholders as of June 30, 2018 are as follows:

	Stockholder's Name	Number of Shares		Percentage to Total
		Class A	Class B	
1	CRESTON GLOBAL LIMITED		56,378,388	18.417
2	PCD NOMINEE CORPORATION (FILIPINO)	18,736,941	29,593,912	15.788
3	CHESA HOLDINGS INC.	40,500,000		13.230
4	PACIFIC WIDE REALTY & DEVELOPMENT CORP.	31,498,000		10.289
5	FORUM HOLDINGS CORPORATION	14,442,356	13,432,644	9.106
6	MISONS INDUSTRIAL AND DEVELOPMENT CORP.	22,000,000		7.187
7	PACIFIC CONCORDE CORPORATION	6,329,500	9,503,908	5.172
8	REXLON REALTY GROUP, INC.	12,200,000	2,673,112	4.859
9	CHARTERED COMMODITIES CORP.	11,296,000		3.690
10	MIZPAH HOLDINGS, INC.	10,128,700		3.309
11	WILLIAM GATCHALIAN	2,091,000	1,481,500	1.167
12	PACIFIC REHOUSE CORP.	1,258,000	1,670,000	0.956
13	PCD NOMINEE CORPORATION (NON-FILIPINO)		2,168,652	0.708
14	FORUM HOLDINGS CORPORATION	1,934,500		0.632
15	TIN FU OR TRAJANO		820,000	0.268
16	CTBC TA# 5-C184: ZUELLIG CORP.	684,829		0.224
17	UBP CAPITAL CORPORATION	645,000		0.211
18	REXLON T. GATCHALIAN	600,000		0.196
18	VICTOR GAN SY	600,000		0.196
19	BDO TIG AS TRUSTEE FOR FEDERAL PHOENIX ASSURANCE CO.	505,992		0.165
20	W. DUMERMUTH		472,600	0.154

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, we certify that the information set forth in this report is true, complete and correct. This report is signed in Pasig City on _____.

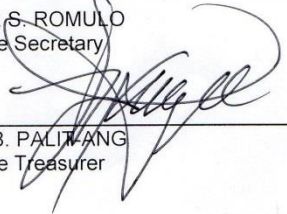
Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141, of the Corporation Code of the Philippines, the registrant has duly caused this report to be signed on behalf by the undersigned, thereunto duly authorized, in the City of Pasig on _____.

By: 

RENATO B. MAGADIA
Chairman of the Board and President
(Principal Executive and Operating Officer)



NESTOR S. ROMULO
Corporate Secretary

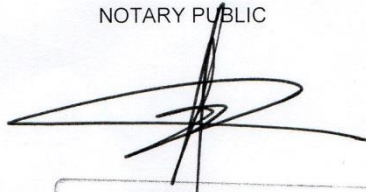


JAMES B. PALIT-ANG
Corporate Treasurer

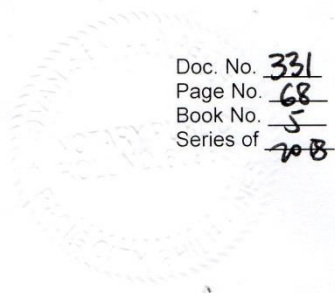
SUBSCRIBED AND SWORN to before me this 14 day of AUG 2018, affiants exhibiting to me their Tax Identification No. issued by the Bureau of Internal Revenue, as follows:

AFFIANTS	TAX IDENTIFICATION NOS.
Renato B. Magadia	100-942-390
Nestor S. Romulo	107-200-723
James B. Palit-Ang	151-671-333

NOTARY PUBLIC



JOVAN S. ABOGA-A
Notary Public for and in the City of Pasig
Appointment No. 72 (2017-2018)
Commission expires on Dec. 31, 2018
301 One Corporate Center, Julia Vargas Ave.
corner Meralco Ave., Ortigas Center, Pasig City
Roll No. 60863
PTR No. 3346545, Jan. 3, 2018, Pasig City
IBP No. 014110, Linao, E. Samar Chapter
MCLE No. VI-0002641 (until April 14, 2022)



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METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES **“Annex A.1”**
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (In Php)

	30-June-2018 Unaudited	30-June-2017 Unaudited	31-Dec-2017 Audited
ASSETS			
Current Assets			
Cash (Note 4)	49,525,158	32,730,247	36,538,607
Receivables – net (Note 5)	120,020,945	113,430,320	116,786,722
Other current assets (Note 6)	21,213,168	34,894,427	14,933,877
Total Current Assets	190,759,271	181,054,994	168,259,206
Noncurrent Assets			
Assets held for sale (Note 7)	370,450,223	415,410,450	371,371,502
Available-for sale-investments (Note 8)	26,669,885	4,829,385	26,669,885
Property and equipment – net (Note 9)	4,293,052	181,693	4,424,024
Deferred income tax assets – net	4,533,081	2,434,536	4,530,072
Other noncurrent assets (Note 10)	8,021,736	7,479,610	4,707,271
Total Noncurrent Assets	413,967,977	430,335,684	411,702,754
TOTAL ASSETS	604,727,248	611,390,678	579,961,960
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued expenses (Note 11)	439,156,599	419,834,491	441,327,586
Due to related parties	8,937,692	69,799,881	6,338,831
Total Current Liabilities	448,094,291	489,634,372	447,666,417
Noncurrent Liabilities			
Accrued retirement benefit costs	3,777,031	8,946,065	4,746,718
Deferred income tax liability	171,118	–	–
Total Noncurrent Liabilities	3,948,149	8,946,065	4,746,718
Total Liabilities	452,042,440	498,580,437	452,413,135
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	3,571,923	3,571,923	3,571,923
Deficit	(212,876,790)	(222,113,313)	(222,096,817)
Remeasurement gain on retirement plan	4,105,556	3,057,535	4,105,556
Available-for-sale reserve	10,398,922	1,058,422	10,398,922
	106,003,812	91,697,016	102,102,033
Non-controlling interests	41,362,748	21,113,225	25,446,792
Total Stockholders' Equity	152,684,808	112,810,241	127,548,825
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	604,727,248	611,390,678	579,961,960

(The accompanying notes are integral part of these financial statements)

ETRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES

"Annex A.2"

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Php)

	Unaudited			
	Apr – Jun 2018	Apr – Jun 2017	Jan – Jun 2018	Jan – Jun 2017
NET SALES				
Services	72,374,993	57,413,210	133,203,793	112,410,444
COST OF SALES AND SERVICES (Note 14)	(56,809,672)	(19,861,848)	(107,650,512)	(45,554,091)
GROSS PROFIT	15,565,321	37,551,362	25,553,281	66,856,353
Expenses (Note 15)	(8,238,410)	(32,838,783)	(16,325,717)	(49,032,576)
Finance cost	-	-	-	-
Other income (expenses)	19,927	213	94,563	416
LOSS BEFORE INCOME TAX	7,346,838	4,712,792	9,322,127	17,824,192
PROVISION FOR INCOME TAX				
Current	-	(1,595,163)	(807,454)	(5,893,722)
Deferred	-	-	-	-
NET INCOME (LOSS)	7,346,838	3,117,629	8,514,673	11,930,470
Net income (loss) attributable to:				
Equity holders of the parent company	3,196,425	1,257,463	3,441,072	5,135,686
Minority interests	4,150,413	1,860,166	5,073,601	6,794,784
	7,346,838	3,117,629	8,514,673	11,930,470
Basic/Diluted Income (Loss) Per Share				
Net loss for the year attributable to the Equity holders of the Parent Company*	P0.0104	P0.0041	P0.011	P0.0168

*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

“Annex A.3”

For the period ended June 30,	Unaudited	
	2018	2017
CASH FROM OPERATING ACTIVITIES		
Income before income tax	₱9,322,127	₱17,824,193
Adjustments for:		
Prior period adjustment	705,354	190,858
Change in minority interest	15,915,956	3,666,246
Depreciation and amortization	1,137,857	–
Interest income	(36,760)	(416)
Operating income (loss) before working capital changes:	27,044,534	21,680,881
Decrease (increase) in receivables	(3,234,223)	(3,812,406)
Decrease (increase) in prepaid expense and other current assets	(6,279,291)	(10,884,993)
Increase (decrease) in accounts payable and accrued expense	(2,170,987)	(9,686,867)
Income tax paid	(807,454)	(5,893,723)
Net cash flows provided (used in) operating activities	14,552,579	(8,597,108)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	36,760	416
Acquisition of property and equipment	(835,628)	1,089,590
Decrease (increase) in Deferred tax and other noncurrent assets	(2,396,596)	4,612,682
Net cash flows provided by (used in) investing activities	(3,195,204)	5,702,688
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payment of):		
Advances from (to) related parties	2,598,861	9,518,274
Payment of retirement benefit	(969,685)	2,776,270.62
Net cash flows provided by (used in) financing activities	1,629,176	12,294,544
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,986,551	9,400,124
CASH AND CASH EQUIVALENTS – BEGINNING	36,538,607	23,330,123
CASH AND CASH EQUIVALENTS – END	₱49,525,158	₱32,730,247

(The accompanying notes are integral part of these financial statements)

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES**“Annex A.4”****UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS’ EQUITY
(In Php)**

	For the Period Ended June 30	
	2018	2017
ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY		
Capital Stock - ₱1 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 - 122,448,979	₱306,122,449	₱306,122,449
Additional Paid-in Capital	3,571,923	3,571,923
Deficit		
Balance at beginning of the year	(222,096,817)	(234,043,783)
Adjustment to beginning balance of retained earnings	705,354	-
Net income	8,514,673	11,930,470
Balance at end of the period	(212,876,790)	(222,113,313)
Other Reserves:		
Revaluation reserve on available-for-sale financial assets	10,398,922	1,058,422
Remeasurement Gain (Loss) on Retirement Plan	4,105,556	3,057,535
	14,504,478	4,115,957
EQUITY ATTRIBUTABLE TO HOLDERS OF PARENT COMPANY	111,322,060	91,697,016
MINORITY INTERESTS	41,362,748	21,113,225
TOTAL STOCKHOLDERS’ EQUITY	₱152,684,808	112,810,241

(The accompanying notes are integral part of these financial statements)

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 new registered office address of the Parent Company is at 35th Floor One Corporate Center, Dona Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City.

In 2015, the SEC approved the amendment made to Article III of the Company’s Articles of Incorporation in regard to the change of Company’s official business address from 22nd Floor Citibank Tower, 8741 Paseo de Roxas, Makati City to 35th Floor One Corporate Center, Dona Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City.

Status of Operation

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Parent Company will continue as a going concern. As of March 31, 2018 and 2017, the Parent Company has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, 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 March 31, 2018 and 2017, 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 7.

As explained in Note 7, 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 13b, management’s plan is to infuse additional capital to address the going concern uncertainty.

Management Plan to Address Going Concern Uncertainties

The Group still holds 20% interest in NPC Alliance Corporation as of December 31, 2017. The Board will discuss how best to proceed on this remaining investment. Recently, the petrochemical plant is undergoing further studies of how to proceed with its future operation to prevent further losses in operating the company under present market conditions. Among the options being evaluated by the majority controlling interest in NPCA is to consider the proposal of MAHEC/Polymax to take over the plant with its potential Chinese partner.

The Board has outlined possible target business projects, but has precluded investments in the mining industry, since the target project did not pass the screening conducted by the DENR.

MAHEC's remaining operating subsidiary, Metro Combined Logistics Solutions, Inc. (MCLSI), is steadily growing with additional business from its existing principals. The Group is also exploring business opportunities in the transport field, including computer app solutions, warehousing and cold storage; in medical distribution and pharmaceutical business logistics, operation of hospice care and management of medical clinics, importation of medical equipment; and also in document storage, car parking, sea travel, river ferry and airport/seaport terminal management.

Projected Plan for the next 12 months:

Investment and sources of capital

- a) 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:
- 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) Pressing the majority shareholders of NPCA to write down the obligation of NPCA to its principal shareholders to pave the way for restructured financial statements;
- d) Continuous filings with relevant government agencies;
- e) Maintaining a lean organization to sustain its operation during the said period;

Furthermore, since the Company's trading suspension was effectively lifted last June 4, 2018, the Board of Directors will set a meeting to discuss the majority shareholders intention to conduct a tender offer 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 5 billion to be split – 60% Class A shares and 40% Class B shares at par value ₱1.00 to meet its projected investments after the tender offer.

If everything proceeds as planned, the Company is expected to satisfy its cash requirements to finance its projected plans and investments in the new ventures until the 4th quarter of 2018.

The company has started to close its non-operating subsidiaries, and eliminate these from its future reporting responsibilities. The elimination will not have any significant effect on the financial statements, as reserves were all provided for these companies to be non-operational. These actions will further enhance the ability of the company to attract new investors to consider an equity infusion into the company and/or a joint venture.

Realization of Outstanding Receivables from Polymax Worldwide

Assuming that the 4-way negotiations with the Chinese bank, the Chinese petrochemical firm and the Iranians will bog down, there are other alternatives to address the issue. In order that this outstanding receivable will be fully recovered, a payment via dacion of the remaining 20% NPCA shares held by Polymax in NPC Alliance may be assigned to Metro Alliance, thus, making the company the direct shareholders of NPCA.

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.

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 12.

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, 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 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 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.

2. Summary of Significant Accounting Policies

2.1 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.

2.2 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	
	2018	2017
Operating subsidiaries:		
Metro Combined Logistics Solutions, Inc. (MCLSI) (formerly GAC Logistics, Inc.)	51%	51%
Non-operating subsidiaries:		
Consumer Products Distribution Services, Inc. (CPDSI)	100%	100%
FEZ-EAC Holdings, Inc. (FEZ-EAC)	100%	100%
Zuellig Distributors, Inc. (ZDI)	100%	100%
Asia Healthcare, Inc. (AHI)	60%	60%

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.

2.3 Changes in Accounting Policy

New standards, amendments to published standards and interpretation to existing standards adopted by the company effective 2017.

- *Amendments to PAS 7, Statement of Cash Flows, Disclosure Initiative*

The amendment requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary):

- (i) changes from financing cash flows;
- (ii) changes arising from obtaining or losing control of subsidiaries or other businesses;
- (iii) the effect of changes in foreign exchange rates;
- (iv) changes in fair values; and
- (v) other changes.

The Standard defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

The amendments have no impact on the company's financial position or performance.

- *Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments have no impact on the company's financial position or performance.

New standards, amendments to published standards and interpretation to existing standards effective 2017 not yet adopted by the company.

- *Amendment to PFRS 12, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

The amendment clarifies the scope of the standard by specifying that the disclosure requirements in the standard, apply to an entity's interests that are classified as held for sale, as held for distribution or as discontinued operations in accordance with PFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendments have no impact on the company's financial position or performance.

Future Changes in Accounting Policies

The company will adopt the following revised standards, interpretation and amendments when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards and interpretations to have a significant impact on its financial statements.

Effective 2018

- *PFRS 9, Financial Instruments (2014)*- the amendment reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new

requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities. The adoption will also have an effect on the amount of the Company's credit losses. The Company is currently assessing the impact of adopting this standard.

- *PFRS 15, Revenue from Contracts with Customers* – the amendment establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Company is currently assessing the impact of adopting this standard.

- *PFRS 2 (Amendments), Classification and Measurement of Share-based Payment Transactions.*

Amendments to clarify the classification and measurement of share-based payment transactions

The Standard has introduced the following clarifications:

On such modifications, the original liability recognized in respect of the cash-settled share-based payment is derecognized and the equity-settled share-based payment is recognized at the modification date fair value to the extent services have been rendered up to the modification date.

Any difference between the carrying amount of the liability as at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately.

- *PFRS 4 (Amendments), Applying PFRS 9 'Financial Instruments' with PFRS 4 'Insurance Contracts'*

The amendments in *Applying PFRS 9 'Financial Instruments' with PFRS 4 'Insurance Contracts' (Amendments to PFRS 4)* provide two options for entities that issue insurance contracts within the scope of PFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4; this is the so-called deferral approach.

- *PAS 40 (Amendments), Transfers of Investment Property*

The amendments in *Transfers of Investment Property (Amendments to PAS 40)* are:

Paragraph 57 of *PAS 40 Investment Property*, which provides guidance on transfers to, or from, investment properties. More specifically, the question was whether a property under construction or development that was previously classified as inventory could be transferred to investment property when there was an evident change in use.

Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

- Annual Improvements to PFRS (2014–2016 Cycle)

Amendments to the following standards:

- PFRS 1 – *Short Term Exemptions* Deletes the short-term exemptions, because they have now served their intended purpose
- PFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, apply to an entity's interests that are classified as held for sale, as held for distribution or as discontinued operations in accordance with PFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
- PAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition

Effective 2019

- PFRS 16, Leases

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, Leases. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Company is currently assessing the impact of adopting PFRS 16.

- Amendments resulting from Annual Improvements 2015–2017 Cycle (remeasurement of previously held interest)
 - PFRS 11 Joint Arrangements

The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- PFRS 9 Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities

Under the amendments, the sign of the prepayment amount is not relevant, i. e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of a early repayment gain.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- The amendments in Effective Date of Amendments to PFRS 10 and PAS 28 defer the effective date of the September 2014 amendments to these standards indefinitely until the research project on the equity method has been concluded. Earlier application of the September 2014 amendments continues to be permitted.

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, 2018 and 2017.

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, 2018 and 2017.

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, 2018 and 2017.

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 financial position.

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:

<u>Particulars</u>	<u>Number of Years</u>
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 it 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 re-measurements 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.

Re-measurements 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. Re-measurements 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.

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 financial reporting 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 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 7).

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 16).

Contingencies

The Group is currently involved in various legal proceedings, which are normal to its business as discussed in Note 21. 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 ₱120.0 million and ₱113.4 million as of June 30, 2018 and 2017, respectively) respectively (see Note 5).

The carrying amount of other current assets amounted to ₱21.2 million and ₱34.8 million as of June 30, 2018 and 2017, respectively as discussed in Note 6. Allowance on probable losses, mainly pertaining to creditable withholding and input taxes, amounted to ₱12.9 million and ₱12.3 million as of June 30, 2018 and 2017, respectively as shown also in Note 6.

Advances to Polymax (under asset held for sale) amounting to ₱370.5 million ₱415.4 million as of June 30, 2018 and 2017 respectively, constitute 61% and 70% of the Group's total assets at June 30, 2018 and 2017, 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 7.

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 2018 and 2017.

Evaluation of Impairment of Noncurrent Non-Financial 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, 2018 and 2017. As of June 30, 2018 and 2017, property and equipment, net of accumulated depreciation and amortization, amounted to ₱4.3 million and ₱.182 million, respectively, as shown in Note 9 and total depreciation and amortization charged to operations amounted to ₱.97 million and ₱2.98 million, respectively, for periods ending June 30, 2018 and 2017.

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 18.

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 ₱4.5 million and ₱2.4 million as of June 30, 2018 and 2017, respectively.

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 described in Note 26 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 ₱3.8 million, and ₱8.9 million as of June 30, 2018 and 2017, respectively.

4. Cash and Cash Equivalents

	June 30, 2018	June 30, 2017
Cash on hand	₱222,551	₱ 929,101
Cash in banks	49,302,607	31,801,146
	₱49,525,158	₱ 32,730,247

Cash in banks earn interest at the respective bank deposit rates. Interest income from banks amounted to ₱12,454 and ₱16,834 in 2018 and 2017, respectively.

5. Receivables

	June 30, 2018	June 30, 2017
Notes	₱143,865,021	₱143,865,021
Trade	77,292,918	73,471,345
Due from affiliates (Note 14)	5,312,305	5,466,471
Others	40,167,846	41,053,806
	266,638,090	263,856,643
Less allowance for doubtful accounts	(146,617,145)	(150,426,323)
	₱120,020,945	₱113,430,320

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 2018 and 2017.

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.

6. Other Current Assets

Details are as follows:

	June 30 2018	June 30, 2017
Creditable withholding taxes	₱13,651,324	26,417,402
Input taxes	14,100,728	10,446,771
Refundable deposits	760,131	804,626
Prepayments and others	5,587,108	9,479,973
	34,099,291	47,148,772
Less: allowance for probable losses	12,886,123	(12,254,345)
	₱21,213,168	₱34,894,427

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

Asset held for sale amounting to ₱370,450,223 and ₱415,410,450 as of June 30, 2018 and 2017, respectively, which constitutes 61% and 70% of the Parent Company's total assets as of June 30, 2018 and 2017, 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, management decided to discontinue operations and ceased operating as a going concern. The remaining 40% interest of Polymax in NPCA, which is for sale, is valued at ₱900 million, which is the estimated recoverable amount from the sale of the investment. 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 20% interest in NPCA, which is for sale. In this regard and to ensure the recoverability of the Parent Company's advances to Polymax, 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.

On December 16 and 22, 2015, the Company was able to collect advances from Polymax amounted to ₱300 million and ₱73 million, respectively.

8. Available-for-sale Investments

As of June 30, the account consists of:

Particulars	2018	2017
Balance at beginning of year	₱26,669,885	₱4,829,385
Cumulative fair value gain (loss) – in equity	–	–
Total	₱26,669,885	₱4,829,385

The investment in securities consists of investment in shares of stock of a publicly-listed company whose fair value is based on published prices on Philippine Stock Exchange; and unquoted equity investment carried at cost.

For the latter part of the year 2017, the Parent company made an investment with Taguig Lake City Development Corporation, a non-listed entity, amounting to ₱12,500,000 whose primary activity is to engage in real estate development.

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

Particulars	June 30	
	2018	2017
Balance at beginning of year	₱10,398,922	₱1,058,422
Cumulative fair value gain (loss) – in equity	–	–
Total	₱10,398,922	₱1,058,422

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

9. Property and Equipment

June 30, 2018

	Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Total
Cost				
Balances at beginning of year	₱2,282,149	₱24,461,743	₱14,675,944	₱41,419,836
Additions	37,090	48,661	749,877	835,628
Balances at end of year	2,319,239	24,510,405	15,425,821	42,255,464
Accumulated Depreciation				
Balances at beginning of year	1,513,473	21,708,259	13,774,080	36,995,812
Depreciation	183,410	718,784	64,406	966,600
Balances at end of year	1,696,883	22,427,043	13,838,486	37,962,412
Net book value	₱622,356	₱2,083,362	₱353,843	₱4,293,052

June 30, 2017

	Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Total
Cost				
Balances at beginning of year	₱1,663,541	₱21,960,958	₱14,073,329	₱37,697,828
Additions	–	528,981	–	528,981
Balances at end of year	1,663,541	22,489,939	14,073,329	38,226,809
Accumulated Depreciation and Impairment Loss				
Balances at beginning of year	1,353,044	20,216,831	13,491,868	35,061,743
Depreciation	262,616	2,155,479	565,277	2,983,373
Balances at end of year	1,615,660	22,372,310	14,057,145	38,045,116
Net book value	₱47,881	₱117,629	₱16,184	₱181,693

10. Other Noncurrent Assets

	2018	2017
Refundable deposits – non-current portion	P6,992,561	P6,265,716
Intangible assets	1,029,175	1,213,894
Total	8,021,736	7,479,610

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 June 30, 2018 is as follows:

<u>Particulars</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Ending Balances</u>
Cost:			
Short messaging	P135,135	P–	P135,135
Warehouse management system	1,309,910	–	1,309,910
Caerus accounting system	1,025,000	–	1,025,000
SAP Business one	1,242,446	422,000	1,664,446
Total	3,712,491	422,000	4,134,491
Accumulated Amortization:			
Short messaging	135,135	–	135,135
Warehouse management system	1,309,910	–	1,309,910
Caerus accounting system	1,025,000	–	1,025,000
SAP Business one	381,615	253,656	635,271
Total	2,851,660	253,656	3,105,316
Carrying amount	P860,831	168,344	P1,029,175

The carrying amount of intangible assets as of June 30, 2017 is as follows:

<u>Particulars</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Ending Balances</u>
Cost:			
Short messaging	P 135,135	P –	P 135,135
Warehouse management system	1,309,910	–	1,309,910
Caerus accounting system	1,025,000	–	1,025,000
SAP Business one	933,000	560,609	1,493,609
Total	3,403,045	560,609	3,963,654
Accumulated Amortization:			
Short messaging	135,135	–	135,135
Warehouse management system	1,309,910	–	1,309,910
Caerus accounting system	1,025,000	–	1,025,000
SAP Business one	88,857	190,858	279,715
Total	2,558,902	190,858	2,749,760
Carrying amount	P 844,143	P 369,751	P 1,213,894

11. Accounts Payable and Accrued Expenses

Details of this account are shown below.

	June 30 2018	June 30, 2017
Accrued expenses	P189,903,406	P203,652,213
Trade payables	44,154,521	46,144,193
Other liabilities	205,098,672	170,038,085
Total	P439,156,599	P419,834,491

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

Accrued expenses 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.

12. Related Party Transactions

a. Due from/to related parties

The amounts due to related parties pertain to unsecured and noninterest bearing 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.

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.

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.

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.

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 7)	06/30/18 06/30/17	(P269,300) –	P370,450,223 415,510,450	Non-interest bearing	Unsecured; not impaired
<u>Associates (entities under common control)</u>						
The Wellex Group, Inc.	Non-interest bearing due from related parties	06/30/18 06/30/17	(157,564) 82,581	5,258,610 5,416,174	Non-interest bearing	Unsecured; not impaired
Others	Non-interest bearing due from related parties	06/30/18 06/30/17	– –	50,297 50,297	Non-interest bearing	Unsecured; not impaired
Acesite (Phils.) Hotel Corporation	Non-interest bearing due to related parties	06/30/18 06/30/17	– –	(5,627,202) (5,627,202)	Non-interest bearing	Unsecured; not impaired
The Wellex Group, Inc.	Non-interest bearing due to related parties	06/30/18 06/30/17	(35,058,317) 1,357,848	(269,300) (35,795,373)	Non-interest bearing	Unsecured; not impaired
Wellex Mining Corp.	Non-interest bearing due to related parties	06/30/18 06/30/17	(225,000) –	– (225,000)	Non-interest bearing	Unsecured; not impaired
<u>Other related parties</u>						
Others	Non-interest bearing due to related parties	06/30/18 06/30/17	(2,160,745) (556,041)	(3,041,791) (4,327,422)	Non-interest bearing	Unsecured; not impaired

Due from related parties pertains to unsecured and noninterest bearing advances granted by the Parent Company to related parties, which have no fixed repayment terms.

13. Capital Stock

- a. The Group's capital stock as of June 30, 2018 and 2017 consists of the following common shares:

Class "A" – P1 par value		
Authorized – 720,000,000 shares		
Issued and Outstanding – 183, 673,470 shares		
Number of equity holders – 624 in 2018 and 676 2017		P183,673,470
Class "B" – P1 par value		
Authorized – 480,000,000 shares		
Issued and Outstanding – 122,448,979 shares		
Number of equity holders – 402 in 2018 and 421 2017		P122,448,979
		<hr/>
		P306,122,449

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 Group's stockholders approved the increase in authorized capital stock from P1.2 billion consisting of 1.2 billion shares to P5.0 billion consisting of 5.0 billion shares, both with par value of P1.0 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 Services

Details of this account are shown below.

	June 30, 2018	June 30, 2017
Personnel costs	₱26,144,354	₱8,494,556
Rent and utilities	9,222,941	4,792,159
Transportation and Travel	15,272,684	2,203,814
Outside services	417,500	868,404
Security services		806,390
Communication and office supplies	147,942	139,810
Repairs and maintenance	1,689,802	600,156
Others	3,914,449	1,956,559
	₱56,809,672	₱19,861,848

15. Expenses

Details of this account are shown below.

	June 30 2018	June 30, 2017
Salaries, wages and employee Benefits	₱2,936,527	₱ 15,689,877
General and administrative expenses	3,994,537	5,325,429
Rent and utilities	213,450	6,206,255
Taxes and licenses	414,380	829,361
Professional fee	368,303	535,282
Others	311,213	4,252,579
	₱8,238,410	₱32,838,783

16. Leases

As of December 31, 2017, 2016 and 2015, the Parent Company and MCLSI, operating subsidiary, has several agreements with various entities for lease of commercial space and offices.

Office space

- a) The Parent Company entered into an operating lease agreement with The Wellex Group, Inc. for a business space in the 35th floor of One Corporate Centre, Dona Julia Vargas cor. Meralco Ave., Ortigas Center Pasig City. The term of the lease is from May 1, 2014 until April 30, 2016 and shall be renewable for another period of two (2) years with adjustments in the rental rates as agreed by the parties. Monthly rental for the leased premises amounts to ₱21,000, exclusive of VAT.

In May 2016, the Parent Company renewed its lease contract for another two (2) years with no changes in the terms of the agreement.

- b) During the year, MCLSI renewed the lease contract for its office space. The term of the contract is (1) year commencing of February 1, 2017 and ending on January 31, 2018, renewable subject to the terms and conditions as may be mutually agreed upon. Monthly rental payments amounted to ₱71,150.

Warehouses

- a) MCLSI entered in lease contract for a warehouse and office building located at warehouse #6 along E. Rodriguez St., Tunasan, Muntinlupa City. The lease term is for a period of two (2) years commencing on April 14, 2014 until April 14, 2016 with monthly rental payments of ₱233,835. The contract was renewed on February 12, 2016 for another 2 years commencing on April 15, 2016 and expiring on April 14, 2018 with a new monthly rental amounted to

₱257,219. Rental deposits paid amounted to ₱771,655. equivalent to three (3) months rental to answer for any of its obligations and to be refunded upon the expiration of lease term after the termination of the contact.

- b) MCLSI entered into new lease contracts for a warehouse, and parking and open space located at 21st St Golden Mile Business Park, Brgy, Maduya Carmona, Cavite. The lease term is for a period of three (3) years commencing on November 3, 2015 until November 2, 2018 with monthly rental payments of ₱330,691. Rental deposits amounted to ₱981,764 equivalent to three (3) months rental to answer for any of its obligation and to be refunded upon the expiration of the contract.
- c) MCLSI entered into another lease contract for warehouse, and parking and open space located at 21st Golden Mile Business Park, Brgy. Maduya Carmona, Cavite. The lease term is also for three (3) years commencing on October 12, 2015 until October 11, 2018 with monthly rental payments of ₱350,162. Rental deposits amounted to ₱927,171 equivalent to three (3) months rental to answer for any of its obligation and also to be refunded upon the termination of the lease contract.
- d) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at 21st St Golden Mile Business Park, Brgy. Maduya Carmona, Cavite with a covered area of 1,965 sqm. The lease term is for a period of three (3) years commencing on October 16, 2016 and automatically terminating on October 15, 2019 with monthly rental payments of ₱336,408. A 5% escalation will start on the third year. Rental deposits amounted to ₱943,200 and to be refunded upon the expiration of the contract.
- e) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at 21st St. Golden Mile Business Park, Brgy. Maduya Carmona, Cavite with a covered area of 1,877sqm. The lease term is for a period of three (3) years commencing on November 7, 2016 and automatically terminating on November 6, 2019 with monthly rental payments of P321,342. A 5% escalation will start on the third year. Rental deposits paid amounted to ₱900,960 to answer for any of its obligation and to be refunded upon the expiration of the contract.
- f) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at Block 8 Lot 10, Golden Mile Business Park, Brgy. Maduya Carmona, Cavite with a covered area of 2,522 sqm and open area of 1,045 sqm. The lease term is for a period of three (3) years commencing on March 1, 2016 and automatically terminating on February 29, 2019 with monthly rental payments of ₱390,611 for the first two years and ₱411,170 for the third year. Rental deposits paid amounted to ₱1,046,280 to answer for any of its obligation and to be refunded upon the expiration of the contract.
- g) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at Elisco Street, Brgy. Kalawan, Pasig City, with a covered area of 2,460 sqm and open area of 1,196 sqm. The lease term is for a period of three (3) years commencing on November 26, 2016 and expiring on the midnight of November 25, 2019 with monthly rental payments of ₱511,460 with an escalation of 7% starting on the second year. Upon execution of the contract, the Company had paid three months' advance rental amounted to ₱1,534,380 and another two months' security deposit amounted to ₱956,000.

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, 2018 and 2017:

	June 30, 2018		June 30, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	₱49,525,158	₱49,525,158	₱32,730,247	₱32,730,247
Receivables	120,020,945	120,020,945	113,430,320	13,430,320
AFS investments	26,669,885	26,669,885	4,829,385	4,829,385
Refundable deposits	7,752,692	7,752,692	804,626	804,626
	₱203,968,680	₱203,968,680	₱151,794,578	₱151,794,578
Financial Liabilities				
Accounts payable and accrued expenses*	₱439,156,599	₱439,156,599	₱418,352,203	₱418,352,203
Due to affiliates	8,937,692	8,937,692	60,221,340	60,221,340
	₱448,094,291	₱448,094,291	₱478,573,543	₱478,573,543

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.

19. 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 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, 2018

	On Demand	Within 1 Year	More than 1 Year	Total
Cash and cash equivalents	P49,525,158	P-	P-	P 49,525,158
Receivables	-	120,020,945	-	120,020,945
Refundable deposits	-	760,131	6,992,561	7,752,692
	36,856,178	116,200,510	3,846,440	177,298,795
AFS financial assets	-	-	26,669,885	26,669,885
	P36,856,178	P116,200,510	P30,516,325	P203,968,680
Due to related parties	P-	P 8,937,692	P-	P 8,937,692
Accrued expenses and other current liabilities	-	439,156,599	-	439,156,599
	P-	P 448,094,291	P-	P 448,094,291

June 30 2017

	On Demand	Within 1 Year	More than 1 Year	Total
Cash and cash equivalents	P32,730,247	P -	P -	P32,730,247
Receivables	64,202,283	-	49,228,037	113,430,320
Refundable deposits	-	804,626	-	804,626
	96,932,5309	804,626	49,228,037	146,965,193
AFS financial assets	-	-	4,829,385	4,829,385
	P96,932,530	P804,626	P54,057,422	P151,794,578
Due to related parties	P -	P -	P69,799,881	P69,799,881
Accrued expenses and other current liabilities	-	40,886,348	378,948,143	419,834,491
	P -	P40,886,348	P378,948,143	P489,634,372

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, 2018 and 2017, without considering the effects of collaterals and other risk mitigation techniques are presented below.

	June 30, 2018	June 30, 2017
Cash and cash equivalents	P 49,525,158	P 32,730,247
Receivables	120,020,945	113,430,320
Refundable deposits	7,752,692	804,626
	P 177,298,795	P 146,965,193

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

June 30 2018

	High Grade	Medium Grade	Past due but not impaired	Total
Cash and cash equivalents	P 49,525,158	P-	P-	P49,525,158
Receivables	80,013,797	-	40,007,148	120,020,945

Refundable deposits	7,752,692	-	-	7,752,692
	P99,043,263	P-	P40,007,148	P177,298,795

June 30, 2017

	High Grade	Medium Grade	Past due but not impaired	Total
Cash and cash equivalents	P32,730,247	P-	P-	P32,730,247
Receivables	64,202,283	-	49,228,037	113,430,320
Refundable deposits	804,626	-	-	804,626
	P97,737,156	P-	P49,228,037	P146,965,193

20. 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.

21. 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 P83.8 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 March 31, 2018, 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 Philippine Estate Corporation (PEC) filed a Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, and Annulment in Decrease in Interest rates, Service Charge, Penalties and Notice of Sheriffs Sale, plus Damages with prayer for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction. The case

stemmed from imminent extra-judicial foreclosure of four (4) mortgaged Tagaytay lots covered by Transfer Certificate of Title (TCT) Nos. T-355222, T-35523, T-35524 and T-35552 subject to the Real Estate Mortgage executed by MAHEC and PEC securing ₱280 million loan obtained by MAHEC and PEC last December 2003.

On October 6, 2005, the Regional Trial Court (RTC) of Tagaytay City issued and granted the Writ of Preliminary Injunction (first injunction). The preliminary injunction issued by the RTC stopping the foreclosure was nullified by both Court of Appeals and Supreme Court, after which Philtrust proceeded to foreclose, and acquired those properties for only ₱165.8 million. When MAHEC and PEC failed to redeem, Philtrust consolidated title and Tagaytay registry issued new TCTs cancelling PEC's TCT. On October 10, 2011, MAHEC filed Notice Lis Pendens vs. four (4) new TCTs of Philtrust.

The case is now back to Tagaytay RTC for trial hearings under new acting Judge Jaime Santiago. MAHEC and PEC already presented witnesses. Next trial hearing is set on April 12, 2016 for presentation of plaintiff's last witness for explanation of why the checks issued in 2004 in favor of Philtrust Bank intended to settle the loan were all dishonored and were returned unpaid.

The Parent Company was able to get the formal trial started and on-going. The Parent Company's most important move was the presentation of a very competent real estate appraiser, realtor, Cesar Santos, who was able to successfully defend in court his ₱811.6 million valuation of the foreclosed Tagaytay properties. Trial hearings are on-going and it is now defendant Bank's turn to adduce evidence. Plaintiffs have closed their evidence presentation wherein all offered evidences were admitted, over the objections of defendant Bank. At the last hearing held on December 6, 2016, defendant Bank's star witness was subjected to Plaintiff's cross-examination wherein they obtained many damaging admissions against the Bank. Plaintiff's counsels cross-examination will resume at trial hearing set for April 25, 2017.

Damages sought are ₱1,000,000 as and by way of exemplary damages and ₱500,000 as and by way of attorney's fees; litigation expenses and cost of suit.

- C. The case is an injunction suit with damages filed on July 23, 2008 in RTC-Makati to nullify the foreclosure of Pasig lot securing a ₱350 million loan obtained by MAHEC, Polymax and Wellex. Initially, Temporary Restraining Order (TRO) and preliminary injunction was issued, but afterwards, it was lifted, enabling Philippine Veterans Bank (PVB) to foreclose. In successive certiorari cases that plaintiffs filed, both Court of Appeals (CA) and Supreme Court (SC) upheld PVB. Worse yet, due to major lapse of the plaintiff's original counsels, lis pendens on foreclosed Pasig lot was cancelled, and in March 2012, PVB sold the lots to Zen Sen Realty Development Corporation who got new Transfer Certificate of Title (TCT). The above case was consolidated with other case of affiliated company with the same RTC. In 2013, Company's legal counsel brought Zen Sen Realty Development Corporation as defendant also, and prayed that the PVB sale to it be nullified. In October 2014, Company's legal counsel dropped Zen Sen Realty as an unnecessary defendant, after which DECISION was rendered vs. PVB on January 9, 2015, declaring the ₱550M loan (total loan of MAHEC, Polymax, Wellex and other affiliated companies) as fully paid, and even over-paid; discharging all the mortgages, and voiding the 2012 sale made to Zen Sen. PVB was ordered to refund to plaintiffs the ₱3.25 million overpayment. PVB filed a motion for reconsideration which was denied. PVB filed Notice of Appeal to Court of Appeal on May 8, 2015, which the Company's legal counsel questioned as defective, but the RTC ruled against the company in its May 12, 2015 Order. The consolidated case is now on appeal in the Court of Appeals as CA-GR CV #105323. Appellant-defendant Bank filed last December 2016 its Appellant's Brief. The Company's legal counsel is given 45 days to file their Brief and eventually requested for another 30 days extension to finish and file said Appellees' Brief.
- D. 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.

**METRO ALLIANCE HOLDINGS & EQUITIES CORP.
AND SUBSIDIARIES
APPENDIX A – FINANCIAL SOUNDNESS
JUNE 30, 2018**

	June 30 2018	June 30 2017
Profitability ratios:		
Return on assets	1.41%	1.95%
Return on equity	5.58%	10.58%
Net profit margin	6.39%	10.61%
Solvency and liquidity ratios:		
Current ratio	42.57%	36.98%
Debt to equity ratio	296.06%	441.96%
Quick ratio	37.84%	29.85%
Financial leverage ratio:		
Asset to equity ratio	396.06%	541.96%
Debt to asset ratio	74.75%	81.55%
Interest rate coverage ratio	NIL	NIL

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES

RECEIVABLES AGING SUMMARY

As of June 30, 2018

in Php

	Current	0 - 30	31 - 60	61 - 90	91 - 120	121+	Total
Notes receivable	143,865,021	-	-	-	-	-	143,865,021
Trade receivable	26,963,297	21,351,384	850,980	8,524,993	4,534,366	20,871,603	83,097,623
Due from affiliates	5,312,305	-	-	-	-	-	5,312,305
Others	34,363,141	-	-	-	-	-	34,363,141
Subtotal	210,503,764	21,351,384	850,980	8,524,993	4,534,366	20,871,603	266,638,090
Allowance for doubtful accounts	(146,617,145)	-	-	-	-	-	(146,617,145)
	63,886,619	21,351,384	850,980	8,524,993	4,534,366	20,871,603	120,020,945