

COVER SHEET

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S.E.C. Registration Number

M E T R O G L O B A L H O L D I N G S

C O R P O R A T I O N

(Company's Full Name)

M E Z Z A N I N E F L O O R R E N A I S S A N C E

T O W E R M E R A L C O A V E N U E

P A S I G C I T Y

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

RAMON G. JIMENEZ

Contact Person

(02) 633 - 6205

Company Telephone Number

1 2 3 1

Month Day

2017

calendar year

SEC FORM 17-A

FORM TYPE

Month Day

Registered/Listed

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/ Section

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

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PART I - BUSINESS AND GENERAL INFORMATION
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION AND SECTION 141
OR CORPORATE CODE OF THE PHILIPPINES**

1. For the fiscal year ended December 31, 2017
2. SEC Identification Number 9142
3. BIR Tax Identification No. 000-194-408-000
4. Exact name of registrant as specified initials charter METRO GLOBAL HOLDING CORPORATION
5. Philippines
Province, Country or other jurisdiction of
Incorporation or organization
6. (SEC Use Only)
Industry Classification Code
6. Mezzanine Floor Renaissance Tower
Meralco Ave., Pasig City 1600
Address of Principal Office Postal Code
8. (632) 633-6248
Issuer's Telephone Number, including area code
9. FIL-ESTATE CORPORATION
Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Section 8 n 12 of the SRC, or Sec 4 n 8 of the RSA

Title of Each Class	Number of Shares of common Stock Outstanding and Amount of Debt Outstanding
---------------------	--

Common Stock - P1 par value	2,000,000,000 (out of the total shares)
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11. Are any or all these securities listed on the Philippine Stock Exchange.
Yes [X] No []

12. Check whatever the registrant:

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

Yes [X] No []

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

Yes [] No []

13. Aggregate market value of the voting stock held by non-affiliates:
₱240,559,298.00@ ₱1.00/share as of December 31, 2017

14. Document incorporated by reference: **2017 Audited Financial Statements**

FIL-ESTATE CORPORATION

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SIGNATURES

STATEMENT OF MANAGEMENT RESPONSIBILITY

STATEMENT TO FINANCIAL STATEMENTS AND SUPPLEMENTARY

Item 1. Business

Business Development

Metro Global Holdings Corporation (the Company), formerly Fil-Estate Corporation, was incorporated on September 17, 1954 originally as San Jose Oil, Incorporated. The original and primary purpose of the corporation was to prospect for and market oil, natural gas and other minerals and, secondarily, to invest in non-mining corporations or other enterprises. The Company is listed in the Philippine Stock Exchange (PSE) on May 4, 1964.

In July 1996, the Board of Directors (BOD) and the stockholders of the Company approved (a) the change in the Company's primary purpose from oil exploration to that of a holding Company authorized to engage in property and infrastructure development and the relegation of its erstwhile primary purpose to one of the Company's secondary purposes, and (b) the increase in the Company's authorized capital stock from P300.0 million, divided into 30.0 billion shares with a par value of P0.01 per share, to P2 billion, divided into 2 billion shares with a par value of P1.00 per share and (c) the declassification of Class A and B common shares to a single class of common shares.

On January 22, 1998, The Securities and Exchange Commission ('SEC') approved the change in corporate name of San Jose Oil, Incorporated to Fil-Estate Corporation, accompanied by a shift in the primary purpose to that of a holding company engaged in property and infrastructure development, the declassification of Class A and B common shares to a single class of common shares, and the change in par value of its shares from P0.01 in 1997 to P1.00 in 1998.

On December 11, 2000, the SEC approved the Company's increase in authorized capital stock from 300.0 million shares to two (2) billion shares. Fil-Estate Management, Inc. (FEMI) subscribed to 700 million shares in exchange for the assignment of its interests in the Metro Rail Transit Holdings, Inc. (MRTHI) and Metro Rail Transit Corp., Limited (MRTCL).

On September 9, 2004, the SEC approved the extension of the Company's term of existence for another fifty (50) years.

The Company's key investment is in the form of equity interest in MRTHI and Metro Rail Transit Holdings II, Inc. (MRTHII). The combined investment in these holding companies represents approximately twenty nine percent (29%) interest in the Metro Rail Transit systems ('EDSA MRT systems'). The Phase I of the MRT project (LRTS Phase I) began full operations on July 15, 2000 and involved thirteen (13) stations from the North Triangle to Taft Avenue.

The Company has a 28.47% equity interest in Monumento Rail Transit Corporation (Monumento Rail) which as a result allows participation in the train system extension (e.g. the Makati Loop) and additional train/vehicle procurements in the event the Philippine government awards the project to MRTCL.

Since 2007 the Company has voluntarily suspended the trading of its securities to allow the Company to re-align its business and explore new strategic directions.

Corporate Name Change

On March 18, 2014, the BOD approved the amendment of the articles of incorporation and by-laws of the Company, a major provision of which changed its corporate name to Metro Global Holdings Corporation. The amendment was in line with the Company's plan to re-align two other existing companies, namely; Metro Countrywide Corporation and Metro Countrywide Holdings, Inc. under the umbrella of Metro Global Holdings Corporation; in effect unifying the group with the common name "Metro". The Company is likewise a substantial shareholder of MRTHI and MRTHII.

On May 30, 2014, the SEC approved the amendment of the Articles of Incorporation and By-Laws of the Company, changing its name to Metro Global Holdings Corporation.

The Company has not been the subject of any bankruptcy, receivership or any other similar proceedings for the last three (3) years. There has likewise been no material reclassification, merger, consolidation, purchase or sale of a significant amount of assets not in the ordinary course of business for the same period.

Equity Infusion. On March 19, 2007, the Company accepted FEMI's proposal to infuse its 30% equity ownership in Camp John Hay Development Corporation (CJHDEVCO) in exchange for up to 450.0 million shares of the Company at P1.00 par value, subject to approval by the SEC.

On September 11, 2007, the Company signed a Deed of Assignment whereby the 30% equity ownership of FEMI in CJHDEVCO was transferred to the Company in exchange for 450.0 million shares at P1.00 par value subject to the approval of the Bases Conversion Development Authority (BCDA). The Deed of Assignment by FEMI of its equity interest in CJHDEVCO in favor of the Company was signed in 2007 in conjunction with CJHDEVCO's then active discussions with certain property developers and Business Process Outsourcing (BPO) operators who intended to invest in the CJHDEVCO area. The expansion of the CJHDEVCO tourism and leisure complex in the northern resort destination of Baguio City involved approximately 19 hectares of new development out of the total 247-hectare former rest-and-recreation facility of the United States military. It was further expected that the profitability of CJHDEVCO would be boosted by such investments and in turn, would positively affect the financial performance of the Company.

On July 1, 2008, the BCDA consented to the transfer made by FEMI of its 30.0% equity interest in CJH in exchange for new shares of stocks in the Company.

On April 23, 2009, the Company and FEMI (the parties) executed an Amendment to the Deed of Assignment which (a) amended the number of shares to be transferred to 1.5 million shares still representing 30.0% equity interest in CJHDEVCO, and (b) extended the date of closing of the transaction June 30, 2010, or any date agreed upon by the parties in writing, in order to allow the parties to fully comply with the conditions precedent to closing as set forth in the Deed of Assignment, particularly as it related to the required consent of the SEC.

On January 9, 2012, CJHDEVCO rescinded the Restructured Memorandum of Agreement it had entered into with BCDA on July 1, 2008 due to the BCDA's continuing inability to make good on its one-stop shop 30-day permit issuance guaranty. CJHDEVCO subsequently filed a directly related case against BCDA for arbitration with the Philippine Dispute Resolution Center, Inc. (PDRCI).

On March 14, 2012, the House of Representatives passed a resolution creating a technical working group aimed at assisting CJHDEVCO and BCDA in amicably resolving the dispute.

On April 12, 2012, the BOD approved the deferment of the assignment, transfer and conveyance in favor of the Company, of FEMI'S 30.0% equity in CJHDEVCO until the resolution of the dispute between CJHDEVCO and BCDA.

On February 11, 2015, the PDRCI handed down its decision on the arbitration case filed by CJHDEVCO against BCDA. The decision stated that the Original Lease Agreement (OLA), and the subsequent Memorandums of Agreement entered into by CJHDEVCO and BCDA, were rescinded due to mutual breach by the parties. The PDRCI, in its decision, (a) directed BCDA to return to CJHDEVCO the total amount of rent CJHDEVCO had paid amounting to P1,421,096,052; and (b) ordered CJHDEVCO to vacate the leased premises and promptly deliver the leased property to BCDA upon full payment by the BCDA to CJHDEVCO of the aforementioned rental amount. The decision also concluded that the CJHDEVCO was not liable for any unpaid back rent as had been claimed by BCDA.

On March 6, 2015, CJHDEVCO filed for a confirmation of judgment with the Regional Trial Court of Baguio City (Court). On March 27, 2015, the Court issued an order of confirmation of The Final Award.

In view of the PDRCI decision, the BOD approved to cancel the implementation of the transfer by FEMI of its 30.0% equity in CJHDEVCO in exchange for equity shares in the Company. The cancellation was also in line with the Company's plan to focus on its core business of infrastructure development.

Conversion of Liabilities to Equity. On January 28, 2008, the BOD approved the conversion of a portion of the liabilities to FEMI amounting to about P400.0 million into equity shares of the Company at a par value of P1.00 per share. In view of the increase in the balance of liabilities to FEMI, the amount to be converted into equity was increased to P600.0 million as approved by the BOD on April 18, 2011. The liability amount for conversion was further increased to P800.0 million and subsequently approved by the BOD on April 12, 2012.

On December 16, 2013, the SEC approved the conversion of a portion of the liabilities of the Company to FEMI amounting to P800.0 million into equity shares in the Company, equivalent to 800.0 million shares with a par value of P1.00 per share.

On May 6, 2014, the BOD approved the request of FEMI to increase its shareholdings and further reduce its receivables from the Company through the conversion into equity of a portion of its receivables amounting to P200.15 million, equivalent to 200,150,000 shares at P1.00 per share par value.

On September 4, 2014, the SEC approved the conversion of a portion of the Company's liabilities to FEMI amounting to P200.15 million, into equity shares equivalent to 200,150,000 shares at P1.00 par value.

Infusion of Certain Properties. On April 12, 2012, the Company accepted the infusion by FEMI of certain properties of Mt. Zion Memorial, Inc. (MZMI) worth P500.0 million in shares of the Company at P1.00 par value. MZMI is wholly-owned subsidiary of FEMI engaged in the development of Class A memorial parks. Organized in 1999, MZMI has twelve (12) memorial parks nationwide with a total combined saleable memorial lots aggregating to 50 hectares, with an estimated concurrent value of P2,500.0 million. A significant amount of annual income was expected to be generated from this infusion.

Consistent with the new business directions of the Company, the BOD approved to cancel the implementation of the proposed plan of FEMI to assign of properties of Mt. Zion Memorial Inc. (MZMI), worth P500 million in exchange for 500,000,000 shares of the Company at P1.00 per share.

Cooperation Agreement. On November 12, 2010, the Company, Fil-Estate Properties, Inc. (FEPI) and FEMI (collectively termed as the 'Fil-Estate Companies') entered into a Cooperation Agreement with Metro Pacific Investment Corporation (MPIC) relating to the Fil-Estate Companies' rights and interests in the MRT Companies. The cooperation has the following objectives: (i) explore solutions that will enable the expansion of the MRT 3 system through financially and legally viable means, and (ii) to transfer the interests of the Fil-Estate Companies in the MRT Companies, subject to obtaining the necessary consents from the relevant parties. Under the Cooperation Agreement, the Fil-Estate Companies appointed MPIC as its attorney-in-fact in connection with the exercise of the rights and interests of the Fil-Estate Companies in the MRT Companies. The completion and consummation of the transaction contemplated by the parties were subject to certain consents and conditions, which did not take place as of December 31, 2017.

A total of P350M has been received from MPIC under this Cooperation Agreement. (See Note 10.1)

New Strategic Partners. The Company was in serious discussions with possible foreign strategic partners to focus on the Company's infrastructure business.

Redemption of Redeemable Preferred Shares in Monumento Rail. On August 22, 2006, the Board of Directors of Monumento Rail Transit Corporation (Monumento Rail) approved the redemption of the redeemable preferred shares it issued to its shareholders giving the latter a redemption privilege by assigning the former's right to receive Depot Royalty Rights pro-rata to the percentage of shareholdings held by each shareholder. On December 17, 2014, Monumento Rail and its shareholders executed the Redemption and Deeds of Assignment of the redeemable preferred shares.

The cost of the Company's 18,029,417 redeemable preferred shares amounts to P901,471 based on par value P.05 per share which is the price per share at time of redemption. In accordance with the Articles of Incorporation of the issuer, the holder of the redeemable preferred shares is given the privilege of a right to receive Depot Royalty pro-rata to the percentage of shareholdings of redeemable shares held by each shareholder of record thereof as of August 22, 2006.

As at December 31, 2017, 2016 and 2015, the Company recognized its share in the lease income termed Depot Royalty Income amounting to P27,423,805, P27,064,458 and P24,151,512 representing 28.47% of 5% of lease income in the subject Depot in those years, respectively, which were paid in subsequent years. (See Notes 6 and 11.1)

Settlement Agreement. On December 17, 2014, the Company, together with all the shareholders of Monumento Rail Transit Corp., entered into a Settlement Agreement with Metro Rail Transit Development Corporation (MRTDEVCO) and companies who are parties to a Vested Rights Agreement dated May 22, 1995, whereby MRTDEVCO agreed to assign to parties of the Vested Rights Agreement the development rights to specific developable areas of the 16 hectares Depot in North Triangle corner EDSA, North Avenue and Mindanao Avenue. The assignment of development rights, however, are conditioned on the assumption of the assignees of the obligation to pay the Depot Income to shareholders of Monumento Rail Transit Corp. (Monumento Rail) arising from the developments in the Depot in accordance with the Deed of Assignment of Development Rights of June 16, 1995 between Metro Rail Transit Corp. Ltd. (MRTCL) and MRTDEVCO, the Assignment and Assumption Agreement of December 18, 2000 between MRTCL and the Company, and Deed of assignment between by MRTDEVCO to NTDCC on February 21, 2002.

Assumption and Accession Agreement. On October 29, 2015, the Company, together with Global-Estate Resorts, Inc. (GERI) and North Triangle Depot Commercial Corporation (NTDCC) entered into an Assumption and Accession Agreement. Under the agreement, GERI, with the consent of the Company, assigned to NTDCC the former's obligation to pay the Company the latter's 28.47% of 5% of the Depot Income.

Lease Agreement. GERI and NTDCC also entered into a Lease Agreement over North Avenue Lot Pads A and B in the Depot. As a condition to the signing of the Lease Agreement, GERI required NTDCC to assume the obligation of GERI to pay the Company 28.47% of the Depot Income pursuant to the Assumption and Accession Agreement.

Proposal to Department of Transportation and Communications (DOTC). On December 19, 2014, the Company presented to the Department of Transportation and Communication (DOTC) its proposal for a Fast Tract Rehabilitation of the MRT-3 system as a substantial shareholder of Metro Rail Transit Holdings II, owner of Metro Rail Transit Corporation (MRTC) which in turn owns the MRT-3 System. The proposal, included among others, the total rehabilitation of the MRT-3 rail system and of the existing 73 rail cars, and the acquisition of new rail cars, at no cost to the government.

The Company intends to undertake the Fast Track Rehabilitation and Capacity Expansion proposals together with its new foreign strategic partners as well as local partners.

As of December 31, 2017, the Company's proposals remain pending with the Department of Transportation (DOTR) following the restructuring of the DOTC with the enactment of Republic Act No. 10844 on 23 May 2016.

Proposed increase in Authorized Capital Stock. The Company plans to increase its authorized capital stock to 3,000,000,000 shares at ₱1.00 per share, from 2,000,000,000 shares at ₱1.00 per share.

FEMI agrees to subscribe to 25% of the planned increased in capitalization, or 250,000,000 shares at ₱1.00 per share, through the conversion into equity of a portion of its advances to the Company. As of December 31, 2017, FEMI's advances to the Company amounted to ₱807 Million. (See Note 15)

Business of Issuer

The Company's business activities arise from its investments in the equity of the entities mentioned in the preceding. Hence, the Company has no principal products or services, nor does it derive revenues or sales from any products or services. No part of the Company's revenues or income over the last three years has been derived from any foreign sales. Corollary, the Company has no requirement for any distribution methods that would otherwise be needed for any products or services. Since the Company's inception it has had no publicly-announced new product or services.

There is no competition with respect to other train services. Instead the MRT project complements other train systems and various public transportation modes available in Metro Manila such as buses, taxis and FXs. Passengers along EDSA have a choice between riding the MRT system and using the described alternatives.

Not being engaged in the manufacturing of any product, the Company does not require any raw materials, energy or other items from suppliers for conducting its business.

The MRT system is dependent on public ridership and not on a single or a few customer. Current ridership is approximately 450,000 people per day. The Government, through the Department of Transportation (DOTR) is responsible for the collection of fares and for the day-to-day operations of the system. The owner of the system, MRTC, on the other hand is assured of a scheduled rental payment over the life of the Build Lease Transfer (BLT) agreement with DOTC.

The Company is 87.885% owned by FEMI. The Company obtains its financial support from its Parent Company as and when it is needed.

The Company business does not require any patents, trademarks, copyrights, licenses, franchises, concessions or royalty agreements. Instead the Company has substantial investment in corporations (e.g. the MRTC) that have concession agreements with the government, specifically agreements with the DOTC under the Build Operate and Transfer Law ('BOT Law'). Under the BLT Agreement with DOTC, the MRTC designed, financed, built, completed and leased a light rail transit system (LRTS) operating from North Avenue to Taft Avenue, connecting approximately 16.8 kilometers with 13 stations. The MRTC completed the said LRTS in June 2000. As provided under the BLT Agreement, upon completion of the LRTS, the DOTC operates the same and pays MRTC guaranteed rental fees for a period of twenty-five (25) years from date of completion (until 2025). The rental fees are used to pay debt to foreign funders, equity rental payments to stockholders of MRTC to guarantee a fifteen percent (15%) net economic return.

The investment of the Company in the EDSA MRT system does not require further approvals from the Philippine Government. The MRT system in EDSA has fully complied and continues to comply with the governmental requirements directly related to the project.

As a result of the redemption of the Company's Preferred Shares in Monumento Rail, the Company was given a redemption privilege to receive its 28.47% pro rata share of 5% of the lease income termed Depot Royalties until the expiration of the Development Rights Period on August 8, 2047. Although variable in nature, the Company, since 2015, has and will have a steady stream of cash flows to help fund its operating expenses, partially pay its debts to FEMI and search for other business opportunities.

The Company does not expect or anticipate that new government approvals will be required for the underlying project within the foreseeable future.

Effects of existing or probable regulations on the business

The business of the Company is to hold its investments in the securities of other corporations. Hence, its income is derived from dividends from other corporations.

Existing government regulations do not impose any tax on dividends received by a domestic corporation from other domestic corporations. Any law or policy changes to the existing regulations on dividends may have an effect on the income of the Company. However, to date, the Company is not aware of any pending legislation that may affect the Company's source of income.

Research and development activities

The Company has not been involved in any significant research and development activities over the last three fiscal years.

Costs and effects of compliance with environmental laws

The Company does not engage in business operations that are subject to regulations which require compliance with environmental laws.

Employees

The Company employed two (2) office personnel both in 2017 and in 2016.

Risks

The Company's principal financial exposures consist of its payables to associates and stockholders. Such financial instruments were used in prior years to raise funds for working capital and to retire interest-bearing US Dollar denominated bank loans. The Company, as a matter of policy, discourages the use of any foreign currency denominated obligations to avoid foreign currency risks and exchange losses. On the other hand, the Company encourages the creation of US dollar denominated assets to take advantage of potential gains arising from foreign exchange movements. On balance, the Company maintains a margin currency position in its asset and liability management function.

The residual financial risks from the Company's financial instruments are cash flow/liquidity risks, credit risks and equity price risks.

Cash flow/liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet or settle its obligations and to support the Company's operations and activities.

The Company coordinates and negotiates closely with each principal stockholder to manage cash flow risks by jointly identifying new sources of cash flow infusions into the Company over the next five years.

Credit risk arises from the possibility of the Company incurring a loss due to the failure of the debtors to meet their contractual debt obligations.

The Company's exposure to credit risk arises primarily from its deposits with banks of good credit rating. The maximum exposure to credit risk is equivalent to the carrying amount of these cash in banks.

The Company is exposed to fair value changes of its Available-For-Sale (AFS) investments in listed equity securities.

The Company's policy is to maintain risk at an acceptable level. Movement in share price is monitored regularly to determine the impact on its financial position.

The Company continuously conducts an internal review of its financial risks management objectives and policies.

Item 2. Properties

As of December 31, 2017, the Company had no other properties other than its investment in the MRT companies. The Company is the recorded and beneficial owner of the shares of stock representing its investments in the said corporation.

The Company holds 4,278,511 shares or 18.6% interest in MRTHI and 24,034,840 shares or 12.6% interest in MRTHII. MRTHI has 84.9% interest in MRTHII which wholly owns MRTC. MRTHI, MRTHII, MRTC, and Monumento Rail are collectively referred to as the MRT companies. The earnings of the MRT companies are derived from lease financing income relating to equity rentals received from the DOTC as defined in the BLT Agreement.

Notwithstanding the sale of future share distributions as discussed in Note 7 of the Financial Statements, the Company continues to hold on to the legal rights over the shares of stock in MRTHI and MRTH II.

On August 18, 2005, the Company and FEMI entered into a "Letter of Agreement," whereby FEMI agreed to grant and did grant the Company the sole option to assign to FEMI its equity interests in MRTHI and MRTH II as settlement of the outstanding amount of the Company's liabilities to FEMI and any additional advances or interest which FEMI may charge to the Company in relation to the said advances at settlement date. Liabilities to FEMI as at December 31, 2005 amounted to P1,741.3 million. Under the "Letter of Agreement", should the Company opt to sell the said investments to third party or parties in the future, FEMI would have the right of first refusal to purchase the said investments at their prevailing market value.

On November 12, 2010, Fil-Estate Companies entered into a Cooperation Agreement with MPIC relating to the Fil-Estate Companies' rights and interests in the MRT Companies. Under the Cooperation Agreement, the Fil-Estate Companies appointed MPIC as its attorney-in-fact in connection with the exercise of the rights and interests of the Fil-Estate Companies in the MRT Companies. The completion and consummation of the transaction contemplated by the parties was subject to certain consents and conditions, which as of 31 December 2017 had not yet occurred.

On April 4, 2014, MRTC declared cash dividends equivalent to and to be offset against accumulated advances to shareholders representing ERP remittances to shareholders as at December 31, 2013. As of December 31, 2017, MRTHI and MRTHII had yet to declare dividends.

The Company does not hold property subject of any lease arrangement, nor does the Company expect to purchase or sell any equipment within the ensuing twelve (12) months.

Item 3. Legal Proceedings

There are no material legal proceedings to which the Company or its direct affiliates are a party or of which any of their property is subject. The Company has no knowledge or information as to any such legal proceedings contemplated by government authorities or any other entity.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the calendar year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrants Common Equity and Related Stockholders Matters

(1) Market Information

The Company's stocks are being traded at the Philippine Stock Exchange. However, for the last five (5) years, trading of the Company's shares was suspended.

In view of the suspension of trading of the Company's shares, the high and low sales prices of such shares for each quarter of the calendar years 2016, 2017 and 2018 could not be determined.

	2018		2017		2016	
Quarter	High	Low	High	Low	High	Low
1 st	0.00	0.00	0.00	0.00	0.00	0.00
2 nd			0.00	0.00	0.00	0.00
3 rd			0.00	0.00	0.00	0.00
4 th			0.00	0.00	0.00	0.00

The shares of the Company were last traded on March 20, 2007 at a price of P0.26 per share.

(2) Holders

As of 31 December 2017 the number of shareholders of record is 1,905 while common shares outstanding were 2,000,000,000 shares. The Company top 20 Stockholders as of 31 December 2017.

	Name of Stockholders	Number of Shares	% of Ownership
1	Fil-Estate Management, Inc.	1,757,690,198	87.885%
2	PCD Nominee Corporation (Filipino)	100,646,633	5.032%
3	Alakor Securities Corporation	66,778,253	3.339%
4	Bank of Commerce - Trust Services Group	43,211,800	2.161%
5	Bank of Commerce TG-91-07-001-C	6,383,000	0.319%
6	PCD Nominee Corp. (Non-Filipino)	3,663,129	0.183%
7	Fil-Estate Management Inc.	2,059,998	0.103%
8	Bancommerce Investment Corp	2,000,000	0.100%
9	Atty. Gilbert Reyes ITF Various Shareholders	1,903,514	0.095%
10	Noel Cariño	1,506,500	0.075%
11	Jaime Borromeo	1,000,000	0.050%
12	Leroy Tan	675,500	0.034%
13	Belson Securities, Inc. A/C#196-358	664,000	0.033%
14	Roberto N. Del Rosario	628,000	0.031%
15	CFC Corporation	576,000	0.029%
16	The Holders of the Unexchanged San Jose Oil Co., Inc.	556,839	0.028%
17	David Go Securities Corp.	414,200	0.021%
18	Trendline Securities Corp.	382,500	0.019%
19	Alberto Mendoza &/or Jeanie C. Mendoza.	300,000	0.015%
20	John Gokongwei Jr.	270,000	0.014%

(3) Dividends

No dividends were declared in the last two (2) calendar years.

Under the Company's by-laws, there are no restrictions in the declaration of dividends other than what is prescribed in the Corporation Code, namely that these shall be declared only from surplus profit and no stock dividend shall be issued without the approval of stockholders representing not less than two-thirds of all stock outstanding and entitled to vote at a general or special meeting called for the purpose.

(4) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

The Company did not sell any securities not registered under the SRC within the past three (3) years. The Company within the same period did not issue any new share nor reacquire securities or issue securities in exchange for property, services or other services or issue new securities resulting from the modification of outstanding securities. The Company did not apply for or receive written confirmations from the Commission under SRC Rule 10.1.

Item 6. Management's Discussion and Analysis or Plan of Operation

Plan of Operation:

1. MRT Operations

Metro Global Holdings Corporation continues to be a stakeholder of the Metro Rail Transit Project through its holding company MRTHI and its associate, Monumento Rail.

MGH also plans to continue its strategy of maintaining itself as a holding corporation with key investment in the form of equity interest in MRTHI and MRTHII. The combined investment in these two holding companies represents approximately 29% interest in the EDSA MRT Systems. The Phase 1 of the MRT Project (LRTS Phase 1) began full operation on July 15, 2000, which involved 13 stations spanning the North Triangle to Taft Avenue. The operation for the next twelve (12) months was strictly confined to that of an investee corporation.

The Company continues, through its holdings in Monumento Rail, to actively pursue its participation in the train system extensions (e.g. Makati Loop) and capacity expansion via procurement of additional trains/vehicles.

I. Operations for the next twelve months

The Company is expected to received its 28.47% share in 5% of the lease income termed Depot Royalties as a result of the redemption of its redeemable preferred shares in Monumento Rail. This revenue will be used to fund its operating expenses, partially pay its debts to FEMI and search for other business opportunities.

The Company does not anticipate any other material transactions that will require additional funding nor does it foresee any cash flow or liquidity problems within the next twelve (12) months.

The Company does not have plans for any product research and development within the same period.

There are no expected purchases or sale of plant and significant equipment within the next 12 months as the Company is not engaged in any manufacturing business.

Management Discussions and Analysis of Financial Condition and Results of Operations

Financial Highlights for the years 2017, 2016, and 2015 are presented below:

	2017	2016	2015
Other Income	27,848,761	27,067,899	25,017,802
Other Expense	(11,615,849)	(15,675,789)	(14,756,740)
Net Income/ (Loss)	(5,491,197)	(2,536,274)	(1,019,074)
Total Assets	1,544,774,597	1,554,331,040	1,560,122,289
Total Liabilities	1,590,674,553	1,593,775,614	1,597,703,923
Net Worth	(45,899,956)	(39,444,573)	(37,581,635)
Issued and Subscribed Capital	2,000,000,000	2,000,000,000	2,000,000,000

The top key performance indicators of the Company are as follows:

	December 31, 2017	December 31, 2016	December 31, 2015
Current Ratio	0.0911:1	0.0917:1	0.0713:1
<u>Current Assets</u>	<u>40,993,848</u>	<u>40,469,757</u>	<u>30,758,305</u>
Current Liabilities	449,882,513	441,388,559	431,479,331
Assets to Equity Ratio	(33.65):1	(39.40):1	(41.51):1
<u>Total Assets</u>	<u>1,544,774,597</u>	<u>1,554,331,040</u>	<u>1,560,122,289</u>
Stockholders Equity	(45,899,956)	(39,444,573)	(37,581,635)
Debt to Equity Ratio	(34.65):1	(40.40):1	(42.51):1
<u>Total Liabilities</u>	<u>1,590,674,553</u>	<u>1,593,775,614</u>	<u>1,597,703,923</u>
Stockholders Equity	(45,899,956)	(39,444,573)	(37,581,635)
Equity to Debt Ratio	(0.03):1	(0.02):1	(0.02):1
<u>Stockholders Equity</u>	<u>(45,899,956)</u>	<u>(39,444,573)</u>	<u>(37,581,635)</u>
Total Liabilities	1,590,674,553	1,593,775,614	1,597,703,923

Book Value per Share	(0.02)	(0.02)	(0.02)
<u>Stockholders Equity</u>	<u>(45,899,956)</u>	<u>(39,444,573)</u>	<u>(37,581,635)</u>
Shares Outstanding	2,000,000,000	2,000,000,000	2,000,000,000
Earnings/(Loss) per Share	(0.00)	(0.00)	(0.00)
<u>Net Income/(Loss)</u>	<u>(5,491,197)</u>	<u>(2,536,274)</u>	<u>(1,019,074)</u>
Average Number of Shares Outstanding	1,998,553,181	1,998,553,181	1,998,553,181

Current Ratio increased from 2015 to 2016 due to the increase in Current Assets brought about by the increase in receivables due to advances granted to Monumento Rail, an affiliate, the recognition of deferred output vat and creditable withholding taxes in 2016 in relation to the lease income termed Depot Royalty from NTDC. Total Current Liabilities was higher in 2016 compared to 2015 due to advances received from NTDC and additional accrual made in 2016. Current ratio for 2016 and 2017 remains the same as there were no significant changes on the balances of current assets and current liabilities.

Assets to Equity Ratio resulted in a negative for 2015 to 2017 due to the negative equity balance of the Company. Total assets decreased in 2017 compared to prior years due to the decrease in the value of Available for Sale Financial Assets as a result of impairment loss recognized on the Company's investment in the MRT Companies.

Debt to Equity Ratio for 2015 to 2017 also resulted in the negative because of the reported negative equity balance. The continued decrease in Total Liabilities was primarily due to partial payments made by the Company to FEMI.

Book Value per Share remains at (P0.02) in years 2015, 2016 and 2017 because of minimal changes in the Stockholders Equity balance.

Loss per share is (P0.00) in 2015 to 2017. This is in view of the Company posting a net loss for the three (3) years.

(i) There are NO known trends, demands, commitments, events or uncertainties that have or are reasonably likely to have a material impact on the Company's short term or long-term liquidity.

(ii) The Company's internal source of liquidity comes primarily from its share in the royalty income it receives from NTDC. The company's external source of financing comes from advances made by FEMI, the parent company which owns 87.885% of the Company.

(iii) The Company has NO material commitments for capital expenditures.

(iv) There are NO known trends, events or uncertainties that have had or are reasonably expected to have a material impact on the revenues or income from continuing operations.

(v) There are NO significant elements of income or loss that did not arise from Company's operations

(vi) There have been NO material changes from 2015 to 2017 in one or more line items of the Company's financial statements, EXCEPT as disclosed below:

- a. Other Income pertains to accrual of the Company's 28.47% share in lease income termed Depot Royalty from NTDC. The Company recognized Depot Royalty of P27.8 million in 2017, P27.0 million in 2016 and P25.0 million in 2015.

- b. Other Expense was lower in 2017 compared to 2016 due to lower impairment loss recognized on the Company's investment in the MRT companies and lower share in net loss of associate (Monumento Rail). Other expense in 2016 was higher compared to 2015 due to higher share in net loss of associate.
- c. Income Before Income Tax increased in 2017 compared to 2016 due to lower other expenses and higher other income. Income Before Income Tax was lower in 2016 compared to 2015 due to higher other expense in 2016.
- d. Stockholder's Equity decreased by P6.4M in 2017 from 2016 as result of comprehensive loss recognized by the Company in 2017. In 2016, it also decreased by P1.8M from 2015 as a result of the comprehensive losses in 2016.
- e. Current Assets increased in 2016 from 2015 mainly due to the increase in receivables due to advances granted to Monumento Rail, an affiliate, the recognition of deferred output vat and creditable withholding taxes in relation to the lease income termed Depot Royalty from NTDCC. Current assets increased in 2016 to 2017 primarily due to increase in receivables brought about by higher lease income termed depot royalty from NTDCC.
- f. Non- Current Assets decreased in 2016 as compared to 2015 mainly due to the decrease in the value available for sale financial assets due to the recognition of impairment loss. In 2017, non-current assets also decreased due to the decrease in the value of available for sale financial assets brought about by impairment loss of P11.5 million despite the Company's investment in MGHC Royal Holdings Inc., a subsidiary.
- g. Current Liabilities increased in 2016 from 2015 due to advances from NTDCC and additional accrued expenses in 2016. It also increased in 2017 from 2016 as a result of the provision from income tax and additional accrual in 2017.
- h. Non-Current Liabilities decreased in 2017, 2016 and 2015 due to the decrease in the due to stockholder account as a result of the partial payments made by the Company to FEMI.

(vii) There have been NO seasonal aspects that had a material effect on the financial condition or results of operations of the Company

(viii) There are NO events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

Other Matters

As of December 31, 2017, there were no material trends, events and uncertainties known to management that would have had an adverse effect on the operations of the Company.

There are no known trends or any known demands, commitments, events or uncertainties that would have resulted in or that were likely to result in an increase or decrease in the Company's liquidity in any material way.

The Company has not been in default or breach of any note, loan, lease, other indebtedness or financing arrangement requiring it to make payments. The Company had no significant trade payables that were not been paid within the stated terms.

The Company is not aware of any event that would have triggered a direct or contingent financial obligation that in turn would have been material to the Company, including any default or acceleration of an obligation.

There have been no off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons that were created during the reporting period.

The Company had no material commitments for capital expenditures.

The Company recognized an impairment loss of ₱11.6 million in 2017, after its liability to FEMI amounting to ₱800.0 million was converted to equity, resulting in a reduction of its outstanding liability to ₱807.3 million, while the carrying value of the investments in MRTHI and MRTHII remained at ₱1,490.7 million

as at December 31, 2017. The impairment loss was reduced after taking into account the deposits received from MPIC amounting to P350.0 million and the advances received from MRTHI and MRTHII in prior years to be applied against future dividends amounting to P333.5 million.

Item 7. Financial Statements

Refer to the Audited Financial Statements as of December 31, 2017 and 2016 certified by Mr. Alfonso Cay-an, Managing Partner, Valdes, Abad and Co. CPAs.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

There have been no disagreements with the Company's accountants, past or present, on accounting and financial disclosures. Since 2014 up to the present, Valdes, Abad and Co. CPA's. has been engaged as the external auditor of the Company.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

(A) Executive Officers of the Registrant

(1) The names, ages, citizenships, terms of office, tenures as directors and experiences for the past five years of all the directors and executive officers are as follows:

Name	Age	Citizenship	Executive Position	Term	Years Served
Robert John L. Sobrepeña	63	Filipino	Chairman of the Board	1	1996 - 2018
Ferdinand T. Santos	67	Filipino	President	1	1996 - 2018
Noel M. Cariño	63	Filipino	Director	1	1996 - 2018
Jaime M. Cacho*	61	Filipino	Director	1	2018
Rafael Perez de Tagle, Jr.	63	Filipino	Director	1	2000 - 2018
Francisco C. Gonzalez	74	Filipino	Director, Independent	1	2010 - 2018
Alice Odchigue-Bondoc	51	Filipino	Director	1	2004 - 2018
Roberto S. Roco	65	Filipino	Director	1	2004 - 2018
Gilbert Raymund T. Reyes	60	Filipino	Corporate Secretary	1	2003 - 2018

*elected on April 12, 2018

ROBERT JOHN L. SOBREPEÑA, Filipino, age 63, is the Chairman of the Board of the Company and is one of the three founding members of the Fil-Estate Group of Companies. Mr. Sobrepeña concurrently holds various positions in the Fil-Estate Group. He is the Chairman of the Board of several companies: Fil-Estate Management, Inc. MRT Development Corporation, CJHDEVCO, Camp John Hay Hotel, Fil -Estate Ecocentrum Corp., and Club Leisure Management, Inc. He graduated with a Bachelor's Degree in Science major in Psychology and Marketing from De La Salle University in 1978.

ATTY. FERDINAND T. SANTOS, Filipino, age 67, is the President and is one of the three founding members of Fil-Estate Group of Companies. He concurrently holds various positions in the Fil-Estate Group. He is the President of Fil-Estate Management, Inc. and CJHDEVCO. He took his Bachelor of Arts at Arellano University in 1970. He has a Bachelor of Law degree from San Beda College where he graduated Valedictorian and Magna Cum Laude in 1974. He was a topnotcher in the 1974 Philippine Bar Exams (2nd Placer).

NOEL M. CARIÑO, Filipino, age 63, is a Director of the Company and is one of the three founder of the Fil-Estate Group of Companies. He holds various positions in the Fil-Estate Group. Mr. Cariño was a Director of the Subdivision and Housing Development Association and of the Chamber of Real Estate and Builders Association. Currently he is the President of the WAR Against Poverty Foundation.

RAFAEL PEREZ DE TAGLE JR., Filipino, age 63, is also a Director of MRT Development Corporation, CJHDVECO, Fil-Estate Ecocentrum Corporation, Camp John Hay Hotel and CAP General Insurance. He has a degree in Arts major in Economics from De La Salle University in 1976.

JAIME M. CACHO, Filipino, age 61, is a Filipino citizen. Holds a Bachelor of Arts Degree Major in Communication Arts from the De La Salle University, Manila in 1978. Mr. Cacho also has a Master in Business Administration (Candidate) from the Ateneo Graduate School of Business, Manila in 1983. At present, Mr. Cacho is President and Chief Operating Officer of Metro Countrywide Corporation and Metro Solar Power Solutions Inc. He is also concurrently, Head of Project Development and Management Services for Fil-Estate Management, Inc. Mr. Cacho also holds Directorships in a number of various companies. Mr. Cacho has over 39 years of top-level management and construction experience earned throughout his career.

FRANCISCO C. GONZALEZ, Filipino, age 74, is the Chairman of the Board and CEO of Romago Corporation and Fabriduct & Metal Systems, Inc. He is the Chairman of the Board of Romago, Inc. Guam and Electro Mechanical Products International, Inc. He also serves as President of Asia Pacific Golf Cars Corporation. He is also a Director and serves as Chairman of the Membership Committee of The Manila Southwoods Golf & Country Club, Inc. and Forest Hills Golf & Country Club, Inc. He is also the proprietor of A & P of Manila.

ROBERTO S. ROCO, Filipino, age 65, is the Chief Financial Officer of Global Estate Resorts, Inc. He is also a Director of Fil-Estate Ecocentrum Corporation, MRT Development Corporation and FEPI. He graduated from Ateneo de Manila University with a degree in Bachelor of Science major in Management.

ALICE O. BONDOC, Filipino, age 51, is also Senior Vice President for Good Governance and Assistant Corporate Secretary of the Company. She is also the Senior Vice President for Corporate & Legal Affairs of the Company's parent company, Fil-Estate Management, Inc. and affiliate companies. She is the Director for Corporate & Legal Affairs and Assistant Corporate Secretary of Camp John Hay Development Corporation and affiliate companies. She is also the Chief Legal Officer of Metro Solar Power Solutions, Inc. She took her Bachelor of Science in Business Management major in Legal Management at Ateneo de Manila University and graduated Honorable Mention and Departmental Awardee of the Department of Legal Management in 1987. She holds a Doctor of Jurisprudence degree from Ateneo de Manila University School of Law and graduated as Second Honors-Silver Medal Awardee in 1992.

GILBERT RAYMUND T. REYES, Filipino, age 60, has been the Corporate Secretary of the Company since 2003. He is a founding partner of the Poblador Bautista and Reyes Law Offices. He graduated with a Bachelor of Science degree major in Biology at the University of the Philippines in 1979. He holds a Bachelor of Law degree from the University of the Philippines College of Law, graduating with Magna Cum Laude honors in 1983.

(2) Significant Employees

The Company has no employee who is not an executive officer or who is expected by the Company to make a significant contribution to the business. The Company's business is not highly dependent on the services of any key personnel.

(3) Family Relationships

None.

(4) Involvement in Certain Legal Proceedings

The Company's directors and executive officers have not been the subject of the following legal proceedings in the last five (5) years:

1. Any bankruptcy petition filed by or against any business to which such person was a general partner or executive officer either at the time of bankruptcy or within two years prior to that time;
2. Any pending or conviction by final judgment in a criminal proceeding, domestic or foreign;
3. Any order, judgment or decree, not subsequently reversed, suspended or vacated of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities or commodities or banking activities;
4. Found by a domestic or foreign court of competent jurisdiction, the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated securities or commodities law or regulation, the judgment of which has not been reversed, suspended or vacated.

Item 10. Executive Compensation

(B) Executive Compensation

Compensation paid in 2017 and 2016 for the benefit of Officers and Directors of the Company.

(1) General

Section 8 of the Company's By-Laws on Compensation, provides that "Each director shall receive a reasonable per diem allowance for his attendance at each meeting of the board. As a compensation, the Board shall receive and allocate an amount of not more than five (5%) percent of the net income before income tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper."

The directors receive a per diem of ₱10,000 per attendance at Board Meetings, and there is no provision in this section that may be construed as precluding any director from serving in any other capacity and receiving any compensation thereof.

The Company plans to compensate its Chief Executive, Officers and Directors for any and all services rendered in 2017 and prior years. The amount of compensation is to be determined and will be subject to the approval by the BOD.

Summary Compensation Table:

Name	Position	Salary	Bonus	Other Annual Compensation (Per Diem)
Robert John L. Sobrepeña	Chairman of the Board			0
Atty. Ferdinand T. Santos	President			0
Noel M. Cariño	Director			0
Rafael Perez de Tagle	Director			0

Atty. Enrique A. Sobrepeña, Jr	Director			0
Roberto S. Roco	Director, Independent			0
Francisco C. Gonzalez	Director, Independent			0
Eduardo R. Santos	Director, Independent			0
Atty. Alice O. Bondoc	Director/SVP for Good Governance			0
Atty. Gilbert Raymund T. Reyes	Corporate Secretary			0
Group Compensation 2017		Php1.04M		0
Group Compensation 2016		Php1.04M		0
Group Compensation 2015		Php0.64M		0

Standard Arrangements

There are no existing standard arrangements pursuant to which directors of the Company are compensated, directly or indirectly, for any services provided as director, nor are there any additional amounts payable to any of the Directors for committee participation or special assignments for the last completed fiscal year and the ensuing year.

Other Arrangements

There are no other existing arrangements or consulting contracts, pursuant to which any of the directors of the Company was compensated or is to be compensated, directly or indirectly, during the last completed fiscal year and the ensuing fiscal year, or for any services provided as director.

Employment Contract and Termination of Employment and Change-in-control Arrangements

Management of the Company is currently being undertaken by the executive officers of the parent company. For this reason, the Company has no existing employment contract with any executive officer nor is there any existing compensatory plan or arrangement, including payments to be received from the Company with respect to an executive officer's employment with the Company and its subsidiaries or from a change-in-control of the Company or a change in the named executive officer's responsibilities following a change-in-control and the amount involved, including all periodic payments or installments.

Warrants and Options Outstanding: Re-pricing

The Company has not issued any warrants and there are no outstanding warrants or options held by the Company's CEO, the named executive officers, or any of the officers and directors, individually or as a group.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2017, Metro Global Holdings Corporation knows of no one who beneficially owns more than 5% of the Company's issued common stock except as set forth in the table below.

Titles of Class	Name, address of record owner and relationship to issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
<hr/>					

Common	Fil-Estate Management, Inc. Mezzanine Floor Renaissance Tower, Meralco Ave. Ortigas, Pasig City	Robert John L. Sobrepeña - Chairman	Filipino	1,757,690,198	87.885%
	PCD Nominee Corp. (Filipino) G/F MKSE Bldg., Ayala Avenue Makati City	Virgilio Castillo - President	Filipino	100,656,633	5.032%
	Alakor Securities Corp. (Filipino) 9F Quad Alpha Centrum, 123 Pioneer Street Mandaluyong City	Presentacion Ramos - President	Filipino	66,778,253	3.339%

Mr. Robert John L. Sobrepeña is the Chairman of Fil-Estate Management, Inc., a company he owns to the extent of about one-third (1/3) of the outstanding shareholdings. He is also the Chairman of the Board of the Company.

Mr. Virgilio Castillo is the President of PCD Nominee Corporation. He holds the voting power over the shares of stocks of PCD Nominee.

Mr. Presentacion Ramos is the President of the Alakor Securities Corporation. He holds the voting power over the shares of stocks of Alakor Securities.

The Corporate Secretary or in his absence, the Assistant Corporate Secretary, has been appointed by Fil-Estate Management, Inc. to direct the voting or disposition of the shares held by the said stockholders. FEMI's office is at Mezzanine Floor Renaissance Tower, Meralco Ave., Pasig City.

There are no securities placed under Trust or Agreement.

(2) Security Ownership of Management

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Robert John L. Sobrepeña	241,000	Filipino	.013%
	Ferdinand T. Santos	1,000	Filipino	.00005%
	Noel M. Cariño	1,506,500	Filipino	.075%
	Jaime M. Cacho	1	Filipino	
	Alice Odchigue-Bondoc	1	Filipino	
	Roberto S. Roco	1	Filipino	
	Rafael Perez de Tagle Jr.	1,000	Filipino	.00005%
	Eduardo R. Santos	1	Filipino	
	Francisco C. Gonzales	1,000	Filipino	.00005%
	TOTAL	1,750,504		.08753%

The beneficial ownership of the foregoing directors arises from the direct ownership of the shares above-indicated registered in the name of the said directors.

(3) Voting Trust Holders of 5% or more

No director, executive officer or nominee of the Company holds more than 5% of the Company's common shares under a voting trust or similar agreement.

(4) Changes in control since the Last Calendar Year

There has been no change in the controlling majority stockholder of the Corporation. Neither has there been any arrangement with any party, which may have resulted in a change in the control of the Company.

Item 12. Certain Relationship and Related Transactions

D (1) Fil-Estate Corporation, in the normal course of business, grants and obtains interest bearing cash advances to an affiliated Company.

There were no transactions during the last two years, or proposed transactions, to which the Company was or is to be a party, in which any of the following persons had, has or is to have a direct or indirect material interest:

- (a) Any director or executive officer of the Company;
- (b) Any nominee for election as a director;
- (c) Any security holder named in response to Part IV, paragraph ©, IRR, SRC
- (d) Any member of the immediate family (including spouse, parents, children, siblings, and in-laws of any of the persons in subparagraph (1)(a), (b) or (c) of this paragraph (d).

D (3) The parent company of the Company is Fil-Estate Management, Inc. which owns 87.885% of the total issued, outstanding and subscribed capital stock of the Company.

PART IV - CORPORATE GOVERNANCE

Item 13. Corporate Governance

This portion has been deleted pursuant to SEC Memorandum Circular No. 5, Series of 2013.

PART V - EXHIBITS AND SCHEDULES

Item 13

b) Reports on SEC Form 17-C

- I. During the special meeting of the BODs of the Company held on April 12, 2018, the BOD approved, among others, the following matters:
 - a. SGV & Co. was replaced by Valdes Abad & Company CPA's as External Auditors
 - b. Atty. Enrique A. Sobrepena, Jr. was replaced by Mr. Jaime M. Cacho as a regular director due to health reasons.

COVER SHEET

9 1 4 2

SEC Registration No.

METRO GLOBAL HOLDINGS
CORPORATION (Formerly
Fil-Estate Corporation)

(Company's Full Name)

MEZZANINE FLOOR, RENAISSANCE
TOWER, MERALCO AVE., PASIG

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

ALICE ODCHIGUE-BONDOC

Contact Person

6336205 loc. 113

Company Telephone Number

SEC FORM 17-C

Current Report under Section 17 of the

SRC

FORM TYPE

1st Thursday of March

1 2 3 1

Month Day
fiscal year

Month Day
annual meeting

Listed

Secondary License Type, If Applicable

Dept. Requiring this Doc

Amended Articles Number/ Section

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

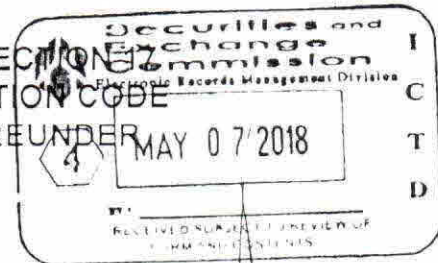
Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER



1. **4 May 2018**
Date of Report (Date of earliest event reported)
2. SEC Identification Number: **ASO9124** 3. BIR Tax Identification No. **000-194-408-000**
4. **METRO GLOBAL HOLDINGS CORPORATION**
Exact name of issuer as specified in its charter
5. **National Capital Region, Philippines** 6. **(SEC Use Only)**
Province, country or other jurisdiction of incorporation Industry Classification Code:
7. **Mezzanine Floor, Renaissance Tower, Meralco Ave., Pasig City 1600**
Address of principal office Postal Code
8. **(632) 6336205**
Issuer's telephone number, including area code
9. **FIL-ESTATE CORPORATION**
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class

Number of Shares of Common Stock
Outstanding or Amount of Debt Outstanding

Common shares

2,000,000,000 shares

11. Indicate the item numbers reported herein: **Item 9 (a)**

Please be advised that during the special meeting of the Board of Directors of Metro Global Holdings Corporation held on 4 May 2018 the Board approved to increase the Authorized Capital Stock of the Corporation from TWO

BILLION PESOS (P2,000,000.00) divided into 2,000,000,000 shares with a par value of One Peso (Php 1.00) per share to THREE BILLION PESOS (P3,000,000.00) divided into 3,000,000,000 shares with a par value of One Peso (Php 1.00) per share.

The Board also approved that out of the increase in the authorized capital stock of one BILLION PESOS (Php/1,000,000,000.00), the amount of Two Hundred Fifty Million Pesos (Php/250,000,000.00) representing 250,000,000 million common shares at par value of One Peso (P1.00) per share shall be subscribed and paid by FIL-ESTATE MANAGEMENT, INC. through the offset of outstanding payables of the Corporation to FIL-ESTATE MANAGEMENT, INC. to the extent of P250,000,000.00.

The Board approved to secure the written assent of its shareholders on the planned increase in capital stock before submission of the same to the Securities and Exchange Commission for approval.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

METRO GLOBAL HOLDINGS CORPORATION
Issuer

Date: 4 May 2018

By:


RAMON G. JIMENEZ
Controller

COVER SHEET

9 1 4 2

SEC Registration No

METRO GLOBAL HOLDINGS
CORPORATION (Formerly
Fil-Estate Corporation)

(Company's Full Name)

MEZZANINE FLOOR, RENAISSANCE
TOWER, MERALCO AVE, PASIG

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

ALICE ODCHIGUE-BONDOC

Contact Person

6336205 loc. 113

Company Telephone Number

SEC FORM 17-C (Appointment of External Auditor)

1 2 3 1
Month Day

fiscal year

FORM TYPE

1st Thursday of March

Month Day
annual meeting

Listed

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/ Section

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

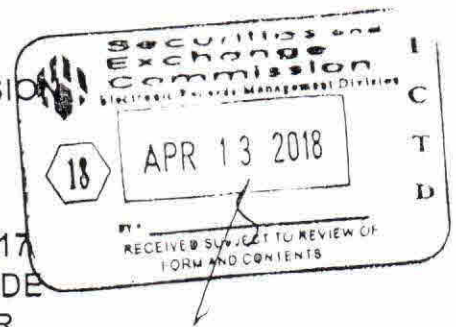
Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER



1. **12 April 2018**
Date of Report (Date of earliest event reported)
2. SEC Identification Number: **ASO9124** 3. BIR Tax Identification No. **000-194-408-000**
4. **METRO GLOBAL HOLDINGS CORPORATION**
Exact name of issuer as specified in its charter
5. National Capital Region, Philippines 6. (SEC Use Only)
Province, country or other jurisdiction of incorporation Industry Classification Code:
7. **Mezzanine Floor, Renaissance Tower, Meralco Ave., Pasig City 1600**
Address of principal office Postal Code
8. **(632) 6336205**
Issuer's telephone number, including area code
9. **FIL-ESTATE CORPORATION**
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt
Outstanding	
<u>Common shares</u>	2,000,000,000 shares
11. Indicate the item numbers reported herein: Item 3 (b)

Please be advised that our External Auditor, SGV & Co. was replaced by Valdes Abad & Company CPAs as the new External Auditor in a special meeting of the Board of Directors today, 12 April 2018.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

METRO GLOBAL HOLDINGS CORPORATION
Issuer

Date: 12 April 2018

By:


RAMON G. JIMENEZ
Alternate Corporate Information Officer

COVER SHEET

9 1 4 2

SEC Registration No

METRO GLOBAL HOLDINGS
CORPORATION (Formerly
Fil-Estate Corporation)

(Company's Full Name)

MEZZANINE FLOOR, RENAISSANCE
TOWER, MERALCO AVE, PASIG

(Business Address No Street City/ Town/ Province)

ALICE ODCHIGUE-BONDOC

Contact Person

6336205 loc 113

Company Telephone Number

SEC FORM 17-C (Replacement of Regular Director)

1 2 3 1
Month Day

fiscal year

FORM TYPE

1st Thursday of March

Month Day
annual meeting

Listed

Secondary License Type, If Applicable

Dept. Requiring this Doc

Amended Articles Number/ Section

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

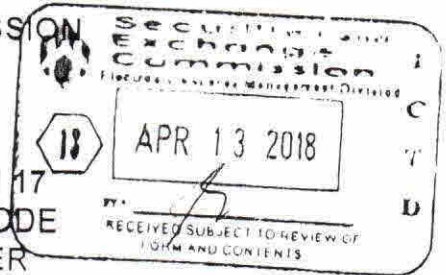
Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER



1. **12 April 2018**
Date of Report (Date of earliest event reported)
2. SEC Identification Number: **ASO9124** 3. BIR Tax Identification No. **000-194-408-000**

4. **METRO GLOBAL HOLDINGS CORPORATION**
Exact name of issuer as specified in its charter

5. National Capital Region, Philippines

6. (SEC Use Only)

Province, country or other
jurisdiction of incorporation

Industry Classification Code:

7. **Mezzanine Floor, Renaissance Tower, Meralco Ave., Pasig City 1600**

Address of principal office

Postal Code

8. **(632) 6336205**
Issuer's telephone number, including area code

9. **FIL-ESTATE CORPORATION**
Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class Outstanding	Number of Shares of Common Stock Outstanding or Amount of Debt
------------------------------------	---

Common shares

2,000,000,000 shares

11. Indicate the item numbers reported herein: Item 4 (a) (ii)

Please be advised that Atty. Enrique A. Sobrepeña, Jr. was replaced by Mr. Jaime M. Cacho as a regular director due to health reasons in a special meeting of the Board of Directors today, 12 April 2018.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

METRO GLOBAL HOLDINGS CORPORATION
Issuer

Date: 12 April 2018

By:


ATTY. ALICE ODCHIGUE-BONDOC
Compliance Officer

Signatures

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Company Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on _____.

By:


Robert John L. Sobrepeña

Chairman of the Board


Atty. Ferdinand T. Santos

President


Ramon G. Jimenez

VP -Accounting


Alice O. Bondoc

Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 12 2018 day of _____
affiant(s) exhibiting to me their Social Security System Number, as follows:

NAMES

SSS NO.

Robert John L. Sobrepeña

03-6449007-1

Atty. Ferdinand T. Santos

03-2643588-3


Alice O. Bondoc

33-1923852-8

Ramon G. Jimenez

03-6347637-1

Doc. No.: 17 ;
Page No.: 5 ;
Book No.: CLXXV ;
Series of 2018


EDWIN G. CONDAYA
NOTARY PUBLIC
PASIG, PATEROS, SAN JUAN
UNTIL DEC. 31, 2018
PTR NO. 3826099/1-03-18
IBP NO. 019004/12-19-17/UNTIL 2018
ROLL NO. 26683
TIN NO. 210-588-191-000
MCLE V-0004493
2ND FLOOR ARMAL BLDG. URBANO
VELASCO AVE. MALINAO, PASIG CITY

SEC Registration Number

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monjay@ymail.com

633-6205

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1905

31-Dec

MR. RAMON G. JIMENEZ

monjay@ymail.com

633-6205

Mezzanine Floor, Renaissance Tower, Meralco Avenue, Pasig City

2. All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

METRO GLOBAL HOLDINGS CORPORATION

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017 AND 2016

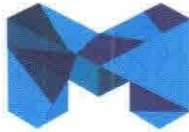
METRO GLOBAL HOLDINGS CORPORATION

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**ANNUAL AUDITED FINANCIAL REPORT PACKAGE
DECEMBER 31, 2017**

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Report of Independent Auditor	<u>X</u>
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Comparative Statements of Comprehensive Income	<u>X</u>
Comparative Statements of Changes in Stockholders' Equity	<u>X</u>
Comparative Statements of Cash Flows	<u>X</u>
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METRO GLOBAL HOLDINGS CORP.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE COMPANY'S FINANCIAL STATEMENTS

The management of **METRO GLOBAL HOLDINGS CORPORATION** is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatements, 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.


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

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

VALDES, ABAD AND COMPANY., CPA's the independent auditors, appointed by the stockholders, has audited the 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 examination.

Signed under oath by the following:


Robert John L. Sobrepeña
Chairman of the Board


Atty. Ferdinand T. Santos
President


Ramon G. Jimenez
VP - Accounting

ACKNOWLEDGEMENT

SUBSCRIBED AND SWORN to before me this APR 12 2018 day of _____ affiant(s) exhibiting to me his/their Social Security System Number, as follows:

NAMES

SSS NO.

Robert John L. Sobrepeña
Atty. Ferdinand T. Santos
Ramon G. Jimenez

03-6449007-1
03-2643588-3
03-6347637-1

Doc. No.: 19
Page No.: 1
Book No.: CLXXV
Series of 2018

EPM
EDWIN G. CONDATA
NOTARY PUBLIC
PASIG, PATEROS, SAN JUAN
UNTIL DEC. 31, 2018
PTR NO. 3826099/1-03-18
IBP NO. 019004/12-19-17/UNTIL 2016
ROLL NO. 26683
TIN NO. 210-588-191-000
MOLE 140004403
2ND FLOOR ANIMAL BLDG, URBANO
VELASCO AVE, MALINAO, PASIG CITY

Valdes Abad & Company

(Formerly: Valdes Abad & Associates)

certified public accountants

CJV 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



PARTNERING FOR SUCCESS

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

The Board of Directors

METRO GLOBAL HOLDINGS CORPORATION

Mezzanine Floor, Renaissance Tower
Meralco Avenue, Pasig City

We have audited the accompanying financial statements of METRO GLOBAL HOLDINGS CORPORATION as of December 31, 2017, on which we have rendered our report dated April 12, 2018.

1. In compliance with Revenue Regulation V-20, we are stating that we are not related by consanguinity nor affinity to the president, manager or principal stockholder of the Company; and the taxes paid or accrued by the Company during the year are shown in Note 13.2 - *Supplementary information in compliance with RR15-2010*.
2. In compliance with SRC Rule 68, we are stating that said Company has a total number of eight hundred twelve (812) stockholders owning one hundred (100) or more shares each.

VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314

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

SEC Accreditation No. A-142-F, Group A

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

BIR Accreditation No. 08-002126-000-2017

Issued on December 13, 2017, Valid until December 12, 2020

By:

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 07, 2017, Valid until April 30, 2018

BIR Accreditation No. 08-002126-005-2017

Issued on December 13, 2017, Valid until December 12, 2020

Makati City, Philippines
April 12, 2018

Valdes Abad & Company

(Formerly: Valdes Abad & Associates)

certified public accountants

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

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

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



PARTNERING FOR SUCCESS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors

METRO GLOBAL HOLDINGS CORPORATION

Mezzanine Floor, Renaissance Tower

Meralco Avenue, Pasig City

Opinion

We have audited the financial statements of METRO GLOBAL HOLDINGS CORPORATION (the Company) which comprise the statements of financial position as at December 31, 2017 and 2016, and the 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 a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSS).

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.

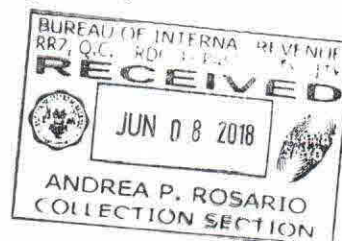
Key Audit Matters

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.

Determining the Redemption Price of Redeemable Preferred Shares Redeemed

The Company owns 18,029,417 redeemable preferred shares out of its 54,093,660 common shares in an associate, Monumento Rail Transit Corp. (Monumento Rail)

On August 22, 2006, the Board of Directors of Monumento Rail approved the redemption of the redeemable preferred shares it issued to its shareholders through the assignment of its right to receive Depot Royalty Rights pro-rata to the percentage shareholdings held by each shareholder.



The amended Articles of Incorporation of Monumento Rail states that "The Corporation shall redeem the redeemable preferred stock at the time outstanding, at any time, in whole but not in part, as may be determined by the BOD, by paying there for through the assignment of its depot royalty rights to the stockholders."

The issue involves determining the Redemption Price of the redeemable preferred shares redeemed on December 17, 2014 based on the classification of the shares as equity or as financial liability required several discussions with those charged with governance on interpretation on legal documents issued to determine the intention of all parties at the time the subject shares were issued.

This matter impacts the recognition of any gain/loss on the redemption of the redeemable preferred shares, the appropriate recognition of the Depot Royalty Income received and will continue to receive by virtue of the assignment of the right to receive the same, and the appropriate tax rates and calculation thereof.

Our audit procedures focused on the substance of the contract rather than the legal form thereof:

- We obtained copies of the financial statements of the issuer, Monumento Rail, and other Shareholders of Monumento Rail and took note on treatment of the redemption of the shares and Depot Royalty Income received.
- We obtained copies of the Board Resolutions relating to the redemption of redeemable shares and assignment of the Depot Royalty Rights to the stockholders.
- We discussed the issue with the Committee on Audit, Management team and the Board of Directors.
- We consulted other external legal counsels and audit partner.
- We secured legal opinion on interpretation on the legal documents relating to the assignment of the Depot Royalty Rights to the stockholders

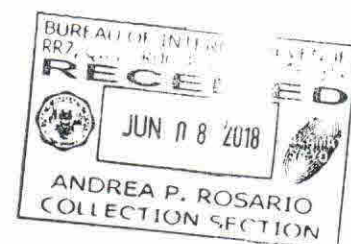
The results of audit procedures performed showed that the intention of the issuer was to redeem the redeemable preferred shares at a time determined by its Board of Directors which was signified in its approval on December 17, 2014 at its par value and that the right to receive the stream of Depot Royalty if and when it actually is generated up to the end of the Development Rights Period in 2047 is treated as a privilege after redemption. The stockholders are in agreement with the intent as seen in the disclosure statements in their respective audited financial statements.

Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, 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.



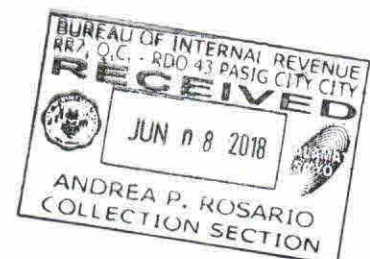
Auditor's Responsibilities for the Audit of the Financial Statements

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:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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.
- 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 reasonably be thought to bear on our independence, and where applicable, related safeguards.



Report on other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation 15-2010 on taxes, duties and license fees in Note 13.2 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements.

In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as whole.

VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314

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

SEC Accreditation No. A-142-F, Group A

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

BIR Accreditation No. 08-002126-000-2017

Issued on December 13, 2017, Valid until December 12, 2020

By:



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

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SEC Accreditation No. A-782-A

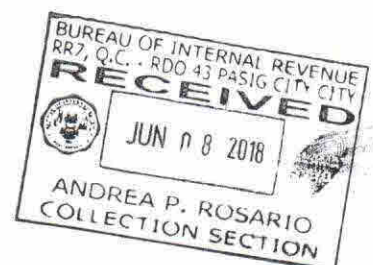
Issued on September 07, 2017, Valid until April 30, 2018

BIR Accreditation No. 08-002126-005-2017

Issued on December 13, 2017, Valid until December 12, 2020

Makati City, Philippines

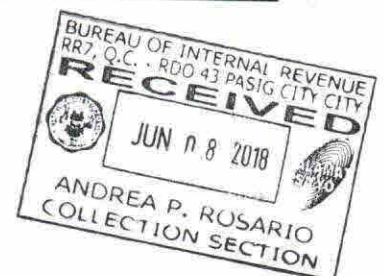
April 12, 2018



METRO GLOBAL HOLDINGS CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016
(Amounts in Philippine Peso)

ASSETS	<i>Notes</i>	<u>2017</u>	<u>2016</u>
Current Assets			
Cash	4.1, 5	P 871,601	P 931,146
Receivables	4.1, 6	38,644,043	37,959,604
Other current assets	4.1, 6	1,478,204	1,579,007
Total current assets		<u>40,993,848</u>	<u>40,469,757</u>
Non-current assets			
Available-for-sale financial assets	4.1, 7	1,495,244,843	1,507,804,044
Investment in Associate	4.2, 9.1	6,036,406	6,057,239
Investment in Subsidiary	4.3, 9.2	2,499,500	-
Total non-current assets		<u>1,503,780,749</u>	<u>1,513,861,283</u>
TOTAL ASSETS		<u>P 1,544,774,597</u>	<u>P 1,554,331,040</u>
 LIABILITIES AND STOCKHOLDERS EQUITY			
Current Liabilities			
Income tax payable	4.10, 13.3	P 3,422,273	P 111,307
Accrued expense and other current liabilities	4.1, 10	446,460,240	441,277,252
Total current liabilities		<u>449,882,513</u>	<u>441,388,559</u>
Non-Current Liabilities			
Due to a stockholder	4.9, 17.1	807,323,416	818,918,431
Due to related parties	4.9, 17.2	333,468,624	333,468,624
Total Non-current liabilities		<u>1,140,792,040</u>	<u>1,152,387,055</u>
Total Liability		<u>1,590,674,553</u>	<u>1,593,775,614</u>
Stockholder's Equity			
Paid up capital	4.12, 15	1,998,553,181	1,998,553,181
Additional Paid in capital	4.12, 15	589,120,804	589,120,804
Cumulative Market adjustment	4.13, 7.2	1,887,222	2,851,408
Deficit	4.14	(2,635,461,163)	(2,629,969,966)
Total stockholders equity		<u>(45,899,956)</u>	<u>(39,444,574)</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY		<u>P 1,544,774,597</u>	<u>P 1,554,331,040</u>

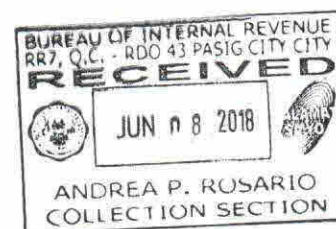
See notes to financial statements.



METRO GLOBAL HOLDINGS CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 2017, 2016 AND 2015
(Amounts in Philippine Peso)

	<i>Notes</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Other Income	4.6,10.3,11.1	P 27,848,761	P 27,067,899	P 25,017,802
Other Expense	4.6,11.2	(11,615,849)	(15,675,789)	(14,756,740)
General and Administrative Expense	4.6,12	(16,495,752)	(12,566,042)	(11,279,033)
Loss before tax		(262,840)	(1,173,932)	(1,017,972)
Income tax expense	4.10,13.1	(5,228,356)	(1,362,342)	(1,102)
Net Loss for the year		(5,491,197)	(2,536,274)	(1,019,074)
Other Comprehensive Income - net				
Items reclassified subsequently to net income upon derecognition				
Gain (Loss) on valuation of available-for-sale financial assets	7.2	(964,186)	673,336	(2,631,217)
Total Comprehensive Loss		P (6,455,383)	P (1,862,939)	P (3,650,291)
Loss per share	4.11,14	P (0.00)	P (0.00)	P (0.00)

See notes to financial statements.



METRO GLOBAL HOLDINGS CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 2017, 2016 AND 2015
(Amounts in Philippine Peso)

	Notes	NUMBER OF SHARES	PAID-UP CAPITAL	ADDITIONAL PAID-IN CAPITAL	MARKET ADJUSTMENT	DEFICIT	TOTAL EQUITY
Balance as at January 1, 2015		1,998,553,181	P 1,998,553,181	P 589,120,804	P 4,809,289	P (2,626,414,618)	P (33,931,344)
Comprehensive loss for the year	7.2	-	-	-	(2,631,217)	(1,019,074)	(3,650,291)
Balance at December 31, 2015	14.1	1,998,553,181	P 1,998,553,181	P 589,120,804	P 2,178,072	P (2,627,433,692)	P (37,581,635)
Balance as at January 1, 2016		1,998,553,181	P 1,998,553,181	P 589,120,804	P 2,178,072	P (2,627,433,692)	P (37,581,635)
Comprehensive loss for the year	7.2	-	-	-	673,336	(2,536,274)	(1,862,938)
Balance at December 31, 2016	14.1	1,998,553,181	P 1,998,553,181	P 589,120,804	P 2,851,408	P (2,629,969,966)	P (39,444,573)
Balance as at January 1, 2017		1,998,553,181	P 1,998,553,181	P 589,120,804	P 2,851,408	P (2,629,969,966)	P (39,444,573)
Comprehensive loss for the year	7.2	-	-	-	(964,186)	(5,491,197)	(6,455,383)
Balance at December 31 2017	14.1	1,998,553,181	P 1,998,553,181	P 589,120,804	P 1,887,222	P (2,635,461,163)	P (45,899,956)

See notes to financial statements.

METRO GLOBAL HOLDINGS CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 2017, 2016 AND 2015
(Amounts in Philippine Peso)

	Notes	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income/loss before tax		P (262,840)	P (1,173,931)	P (1,017,972)
Adjustment for:				
Impairment loss	11.2	11,595,015	13,837,538	14,502,408
Interest Income	11.1	(3,606)	(2,515)	(5,509)
Share in net loss of associate	11.2	20,833	1,838,252	254,332
Operating income/loss before working capital changes		11,349,403	14,499,343	13,733,259
Increase/decrease in receivables		(684,439)	(11,647,227)	(25,791,192)
Increase/decrease in other current asset		100,803	(1,579,007)	(1,250,534)
Increase/decrease in accrued expenses and current liabilities		5,182,988	13,297,811	28,773,642
Increase/decrease in due to a stockholder		8,583,472	11,243,650	6,236,192
Cash generated from operations		24,532,228	25,814,571	21,701,366
Interest received		3,606	2,515	5,509
Cash paid for income taxes		(1,917,391)	(503)	(1,102)
Net cash used by in operating activities		22,618,443	25,816,584	21,705,774
CASH FLOWS FROM FINANCING ACTIVITIES				
Related Party Transactions				
Borrowing	17.1	50,000	-	1,161,400
Payment	17.1	(20,228,489)	(25,081,190)	(21,900,000)
Cash provided by financing activities		(20,178,489)	(25,081,190)	(20,738,600)
NET INCREASE (DECREASE) IN CASH		(59,546)	735,394	967,174
CASH AT BEGINNING OF THE YEAR		931,147	195,753	94,870
CASH AT END OF THE YEAR	5	P 871,601	P 931,147	P 1,062,044

See notes to financial statements.

METRO GLOBAL HOLDINGS CORPORATION
(formerly FIL-ESTATE CORPORATION)

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

Note 1 - CORPORATE INFORMATION

1.1 Incorporation

The Company was incorporated as San Jose Oil Company, Inc. on September 17, 1954 and was listed on the Philippine Stock Exchange (PSE) on May 4, 1964 as an oil exploration company and was reorganized in 1996 into a corporate vehicle that will pursue infrastructure-related investments and was renamed Fil-Estate Corporation (the Company). On September 9, 2004, the Philippines Securities and Exchange Commission (SEC) approved the extension of the Company's corporate life for another 50 years or 2054.

The Company is 87.885% owned by Fil-Estate Management, Inc. (FEMI), the Parent company. The principal activity of the Company is the holding of 4,278,511 shares or 18.6% interest in Metro Rail Transit Holdings, Inc. (MRTHI) and 24,034,840 shares or 12.6% interest in Metro Rail Transit Holdings II, Inc. (MRTH II). MRTHI has 84.9% interest in MRTH II which wholly owns Metro Rail Transit Corporation (MRTC). MRTHI, MRTH II, MRTC, and Monumento Rail Transit Corporation (Monumento Rail) are collectively referred to as the Metro Rail Transit (MRT) Companies. The earnings of the MRT Companies are derived from lease financing income relating to equity rentals received from the Department of Transportation and Communication (DOTC) as defined in the Build, Lease and Transfer (BLT) Agreement.

Notwithstanding the sale of future share distributions as discussed in *Note 7.1*, the Company continues to hold on to the legal rights over the shares of stock in MRTHI and MRTH II.

On May 18, 2014, the Securities and Exchange Commission (SEC) approved the amendment of the Articles of Incorporation and by-laws of the Company, changing its corporate name to Metro Global Holdings Corporation. The amendments are to re-align two other existing companies namely; Metro Countrywide Corporation and Metro Countrywide Holdings, Inc. under the umbrella of Metro Global Holdings Corporation and identify the group with the common name "Metro". The Company is likewise a substantial shareholder of Metro Rail Transit Holdings, Inc. and Metro Rail Transit Holdings II, Inc.

The Company's registered office address is at Mezzanine Floor, Renaissance Centre, Meralco Avenue, Pasig City. The Company employed two (2) office personnel both in 2017 and in 2016.

1.2 Approval of Financial Statements

The financial statements of the Company for the year ended December 31, 2017 (including the comparatives for the year ended December 31, 2016) were authorized for issue by the Board of Directors on April 12, 2018. The Board of Directors is empowered to make revisions after the date of issue.

Note 2 – STATUS OF OPERATION AND MANAGEMENT PLAN

Status of operation

The Company incurred net losses amounting to P5,491,197 and P2,536,274 in 2017 and 2016, respectively, with capital deficiency amounting to P45,899,956 and P39,444,574 as at December 31, 2017 and 2016, respectively. The trading of the Company's shares of stock at the

PSE has also been voluntarily suspended since March 20, 2007. The Company continues to obtain support from FEMI and the management has undertaken steps to improve financial performance by agreeing to proposed equity infusions in the Company which are expected to provide significant revenues to the Company. In addition, since the Company continues to hold legal rights over the shares of MRTHI, MRTHII and MRTC, the Company expects that its residual interest over these shares upon final liquidation of these companies or expiration of the BLT agreement would provide significant cash inflows to the Company. FEMI, in its letter of support to the Company, committed not to demand payment of the amount due from the Company not covered by the "Letter of Agreement" as discussed in Note 7.1, until such time that the Company has the ability to pay.

The BOD approved the recommendation of management to re-align the other businesses of the Company by spinning-off these businesses to new companies or to existing companies affiliated with the Company so that the Company can focus on its core business of infrastructure.

Equity Infusion

On March 19, 2007, the Company accepted the proposal of FEMI to infuse its 30.0% equity ownership in Camp John Hay Development Corporation (CJH) in exchange for up to 450.0 million shares of the Company at P1.0 par value, subject to the approval of the SEC.

On September 11, 2007, the Company signed a Deed of Assignment transferring the 30.0% equity ownership of FEMI in CJH Development Corporation in exchange for 450.0 million shares of the Company at P1.0 par value subject to the approval of the Bases Conversion Development Authority (BCDA). The Deed of Assignment by FEMI of its equity interest in CJH in favor of the Company was signed in 2007 in conjunction with CJH's active discussions with certain property developers and business process outsourcing (BPO) operators who intend to invest in the CJH area. The expansion of the CJH tourism and leisure complex in the northern resort destination of Baguio City will involve about 19 hectares of new development out of the total 247-hectare former rest and recreation facility of the United States Military. It is further expected that the profitability of CJH will also be boosted by such investments and which, in turn, will positively affect the financial performance of the Company.

On July 1, 2008, the BCDA gave its consent on the transfer made by FEMI of its 30.0% equity interest in CJH in exchange for new shares of stocks of the Company.

On April 23, 2009, the Company and FEMI (the parties) executed an Amendment to the Deed of Assignment which (a) amends the number of shares to be transferred to 1.5 million shares still representing 30.0% equity interest in CJH and (b) extends date of closing of transaction to June 30, 2010 or any date agreed upon by the parties in writing, in order to allow the parties to fully comply with the conditions precedent to closing as set forth in the Deed of Assignment, particularly the consent from the SEC.

Rescission of Restructured MOA with BCDA. On January 9, 2012, CJH rescinded the Restructured Memorandum of Agreement it entered into with BCDA on July 1, 2008, in view of the continuing inability of BCDA to make good its one-stop-shop 30-day permit issuance guaranty. CJH subsequently filed a case against BCDA for arbitration with the Philippine Dispute Resolution Center, Inc.

On March 14, 2012, the House of Representatives passed a resolution creating a technical working group aimed at assisting CJH and BCDA in amicably resolving the dispute.

On April 12, 2012, the Board of Directors (BOD) approved the deferment of assignment, transfer and conveyance in favor of the Company of FEMI's 30.0% equity in CJH until the resolution of the dispute between CJH and BCDA.

Final Award on Arbitration. On February 11, 2015, the PDRCI rendered its Final Award on the arbitration case filed by CJH Development Corporation (CJH) against the Bases Conversion and Development Authority ((BCDA). The decision stated that the Original Lease Agreement, and the subsequent Memorandums of Agreements entered into by CJH and BCDA were rescinded due to mutual breach of both parties.

The PDRCI (a) directed BCDA to return to CJH the total amount of rentals it paid amounting to P1,421,096,052; and (b) ordered CJH to vacate the leased premises and promptly deliver the leased property to BCDA upon full payment by BCDA to CJH of the aforementioned rental amount. The PDRCI likewise declared CJH as not liable for any unpaid back rent consistent with the ruling that rescission and mutual restitution is proper in the case.

On March 6, 2015, CJH filed a Verified Petition for Confirmation of Final Award with the Regional Trial Court of Baguio City. On March 27, 2015, the Court issued an Order of Confirmation of the Final Award.

Cancellation of equity infusion. In view of the PDRCI decision, the Board of Directors approved to cancel the proposed transaction of FEMI to infuse its 30.0% equity in CJH in exchange for equity shares of the Company. The cancellation was also in line with the Company's plan to focus on its core business of infrastructure.

Conversion of advances to equity

SEC approval of conversion of P800M advances. On January 28, 2008, the BOD approved the conversion of a portion of the liabilities to FEMI amounting to about P400.0 million into equity shares of the Company at a par value of P1.0 per share. In view of the increase in the balance of liabilities to FEMI, the amount to be converted to equity was increased to P600.0 million as approved by the BOD on April 18, 2011. The amount for conversion was further increased to P800.0 million as subsequently approved by the BOD on April 12, 2012.

On December 16, 2013, the SEC approved the conversion of portion of the Company's liabilities to FEMI amounting to P800.0 million, into equity shares totaling 800.0 million shares at P1.0 par value. (see Note 15c)

SEC approval of conversion of P200,150,000 advances. On May 6, 2014, the BOD approved the request of FEMI to increase its shareholdings and further reduce its receivables from the Company through the conversion into equity of portion of its receivables amounting to P200,150,000, equivalent to 200,150,000 shares at P1.00 par value. (see Note 15d)

On September 4, 2014, the SEC approved the conversion of portion of the Company's liabilities to FEMI amounting to P200.15 million, into equity shares equivalent to 200,150,000 shares at P1.00 par value. With the additional subscription of FEMI, FEMI's total shareholdings in the Company stands at 87.885% as of December 31, 2014.

Infusion of certain properties

On April 12, 2012, the Company accepted the infusion by FEMI of certain properties of Mt. Zion Memorial, Inc. (MZMI) worth P500.0 million in exchange for 500.0 million shares of the Company at P1.0 par value. MZMI is a wholly-owned subsidiary of FEMI engaged in the development of Class A memorial parks. Organized in 1999, MZMI now has twelve (12) memorial parks nationwide with a total combined saleable memorial lots aggregating 50 hectares, with an estimated value of P2,500.0 million. A significant amount of annual income is expected to be generated from this infusion.

Consistent with the new business directions of the Company, the BOD approved to cancel the implementation of the proposed plan of FEMI to assign of properties of Mt. Zion Memorial Inc.

(MZMI), worth P500 million in exchange for 500,000,000 shares of the Company at P1.00 per share.

Cooperation Agreement

On November 12, 2010, the Company, Fil-Estate Properties, Inc. (FEPI) and FEMI (collectively termed as the 'Fil-Estate Companies') entered into a Cooperation Agreement with Metro Pacific Investment Corporation (MPIC) relating to the Fil-Estate Companies' rights and interests in the MRT Companies. The cooperation has the following objectives: (i) explore solutions that will enable the expansion of the MRT 3 system through financially and legally viable means, and (ii) to transfer the interests of the Fil-Estate Companies in the MRT Companies, subject to obtaining the necessary consents from the relevant parties. Under the Cooperation Agreement, the Fil-Estate Companies shall appoint MPIC as its attorney-in-fact in connection with the exercise of the rights and interests of the Fil-Estate Companies in the MRT Companies. The completion and consummation of the transaction contemplated by the parties is subject to certain conditions, which as at December 31, 2017 has not yet occurred. As such, MPIC and Fil-Estate Companies are still in the process of discussing possible scenarios on how to implement the transactions contemplated by the parties when they entered into the Cooperation Agreement.

A total of P350M in advances has been received from MPIC. (See Note 10.1)

New Strategic Partner

The Company is still in pursuit of a possible foreign strategic partner to focus on the infrastructure business of the Company. In 2014, the Company engaged the services of Arch Advisory to act as lead financial advisor.

Settlement Agreement

On December 17, 2014, the Company, together with all the shareholders of Monumento Rail Transit Corp., entered into a Settlement Agreement with Metro Rail Transit Development Corporation (MRTDEVCO) and companies who are parties to a Vested Rights Agreement dated May 22, 1995, whereby MRTDEVCO agreed to assign to parties of the Vested Rights Agreement the development rights to specific developable areas of the 16 hectares Depot in North Triangle corner EDSA, North Avenue and Mindanao Avenue. The assignment of development rights, however, are conditioned on the assumption of the assignees of the obligation to pay royalties to shareholders of Monumento Rail Transit Corp. (Monumento Rail) arising from the developments in the Depot in accordance with the Deed of Assignment of Development Rights of June 16, 1995 between Metro Rail Transit Corp. Ltd. (MRTCL) and MRTDEVCO, the Assignment and Assumption Agreement of December 18, 2000 between MRTCL and the Company, and Deed of assignment between by MRTDEVCO to NTDC on February 21, 2002. (See Note 9)

As one of the stockholders of Monumento Rail, the Company is entitled to receive 28.47% of the lease income termed Depot Royalty computed at 5% of the gross receipts of the rental income from 8.3 ha commercial center and 5% of the gross proceeds of sale or leases on improvements constructed on the 4.6 ha lot pads less management fees and general and administrative expenses relative to the leased areas under the Development Rights Assignment. (See Note 9)

As at December 31, 2017, 2016 and 2015, the Company recognized Depot Royalty amounting to P27,843,189, P27,064,458 and P25,010,689 respectively which was paid in subsequent year. (See Notes 6 and 11.1)

Proposal to Department of Transportation and Communications (DOTC)

On December 19, 2014, the Company presented to the Department of Transportation and Communication (DOTC) its proposal for a Fast Track Rehabilitation of the MRT-3 system as a substantial shareholder of Metro Rail Transit Corporation (MRTC), owner of the MRT-3

System. The proposal, included among others, the total rehabilitation of the MRT-3 rail system and of the existing 73 rail cars, and the acquisition of new rail cars, at no cost to the government.

The Company intends to undertake the Fast Track Rehabilitation and Capacity Expansion proposals together with its new foreign strategic partners as well as local partners.

As of December 31, 2017, the DOTC is still evaluating the Company's proposals.

Proposed increase in authorized capital stock

The Company plans to increase its authorized capital stock to 3,000,000,000 shares at P1.00 per share, from 2,000,000,000 shares at P1.00 per share.

FEMI agrees to subscribe to 25% of the plan increased in capitalization, or 250,000,000 shares at P1.00 per share, through the conversion into equity of portion of its advances to the Company. As of December 31, 2017, FEMI's advances to the Company amounted to P807.3Million. (See Note 15)

Note 3 – BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in 2017 and 2016.

3.1 Presentation of Financial Statements

Presentation

These financial statements are presented in Philippine Peso (P), the Company's functional currency, and all values are rounded to the nearest peso except when otherwise indicated.

Assets and liabilities are presented in the Statement of Financial Position in a current and non-current distinction and in order of liquidity.

The Statement of Comprehensive Income presents an analysis of expenses using a classification based on their functions.

3.2 Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The Company need not present consolidated financial statements since the Company is partially-owned of another entity and its ultimate parent produces financial statements available for public use that comply with PFRSs, in which subsidiaries are consolidated in accordance with PFRS 10.

3.3 Basis of Measurement

These financial statements have been prepared on a historical basis, except for the quoted equity securities included under available-for-sale (AFS) financial assets, which have been carried at fair value. The Company's financial statements have been prepared on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business.

3.4 Use of judgments and estimates

The preparation of the Company's financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical Management Judgments in Applying Accounting Policies

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

Determination of Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the revenue, costs and expenses of the Company.

Classification of Financial Instruments

The Company classifies a financial instrument, or its components, on initial recognition as a financial asset, liability or equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, liability or equity instrument.

The substance of a financial instrument, rather than its legal form, governs its classification in the Statement of Financial Condition.

Financial assets are classified as financial assets at FVPL, AFS financial assets and loans and receivables. Financial liabilities, on the other hand, are classified as financial liabilities at FVPL and other financial liabilities.

The Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

The Company's financial instruments include loans and receivables, financial assets at FVPL, AFS and other financial liabilities. (See Notes 5, 6, 10 and 17)

Investment in Redeemable Preferred Shares in Associate

The Company's investment in the redeemable preferred shares of its associate was classified by the issuer, Monumento Rail Transit Corporation, as equity upon issuance. The Redemption Price of the shares redeemed on August 22, 2006 was determined to be at par value of P.05 per share which is the price per share upon redemption. In accordance with the Articles of Incorporation of the issuer, the holder of the redeemable preferred shares is given the privilege of a right to receive Depot Royalty pro-rata to the percentage of shareholdings of redeemable shares held by each shareholder of record thereof as of August 22, 2006. (See Note 9)

Determination of Fair Value of Financial Assets and Financial Liabilities

Where the fair value of financial assets and liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

Determination of Fair Value of Available-for-sale Financial Assets - Not Quoted in an Active Market

The Company determines whether a reliable measure of fair value is available for equity investments not quoted in an active market. If a reliable measure is not available or ceases to be available, the unquoted equity investments are measured at cost.

The fair values of the Company's investments in MRTHI and MRTH II cannot be reasonably determined as the shares are unquoted nor are there any expected future cash flows in view of the sale of future distributions as discussed in *Note 7.1* and that the investments, pursuant to the "Letter of Agreement" as also discussed in *Note 7.1*, will be used to settle the Company's liability to FEMI.

The fair values of financial assets amount to P1,495.2M and P1,507.8M as at December 31, 2017 and 2016, respectively (*see Note 7.1*).

The fair value of financial liabilities amounted to P1,590.67M and P1,593.66M as at December 31, 2017 and 2016, respectively (*see Note 10*).

Management believes that the carrying value of the unquoted equity securities, after the application of the proceeds from the sale of the share of the future share distributions, can be realized in the future through: a) the Company's share in any additional variable equity rental payments (ERP) received by MRTC from DOTC in the form of a ridership bonus or sharing scheme which were not included in the future share distributions sold; b) the Company's share in the benefits arising from the residual rights in the expansion project; and c) the Company's put option to use the shares of stocks of MRTHI and MRTH II to pay-off its net advances from FEMI pursuant to the "Letter of Agreement".

As at December 31, 2016, the outstanding liability to FEMI and after considering the deposit received from MPIC and advances from MRTHI and MRTHII for an aggregate amount of P1,502.4M while the carrying value of the investments amounts to P1,516.2M. Therefore, there is an indication of impairment. The Company recognized an impairment loss of P13.8M for the year. (*See Notes 7.1 and 11.2*)

As at December 31, 2017, the outstanding liability to FEMI and after considering the deposit received from MPIC and advances from MRTHI and MRTHII for an aggregate amount of P1,490.7M while the carrying value of the investments amounts to P1,502.3M. Therefore, there is an indication of impairment. The Company recognized an impairment loss of P11.6M for the year. (*See Notes 7.1 and 11.2*)

Determination of Impairment of Available-for-sale Financial Assets- Quoted in an Active Market

The Company 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 when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as

industry and sector performance, changes in technology and operational and financing cash flows, or the normal volatility in share price for quoted equities.

In the case of unquoted shares, AFS financial assets are considered impaired when management believes that future cash flows generated from the investment is expected to decline significantly.

Disclosure on Related Party Transactions

The Company determines the level of detail to be disclosed, in accordance with the requirements of the Philippine Financial Reporting Standards, in order to provide information in sufficient detail to the users of the financial statements to understand the effects of related party transactions on its financial statements:

- i. the nature and amount of each individually significant transaction; and
- ii. a qualitative or quantitative indication of the extent of transactions that are collectively, but not individually, significant.

In arriving at this judgment, the Company considers the closeness of the related party relationship and other factors relevant in establishing the level of significance of the transactions. (See Notes 4.9 and 17)

Income Tax Provision

The Company's current tax provision amounting to P5,227,635 relates to management's assessment of the amount of tax payable on open tax positions where the liabilities remain to be agreed with relevant tax authorities (Note 13.1). No deferred tax items for which a provision of future deductible benefit relates principally to the interpretation of tax legislation applicable to the Company has been recognized.

Key Sources of Estimation Uncertainty

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Realizable Amount of Deferred Tax Assets and Liabilities

Significant management judgment is required to determine the amount of deferred tax asset that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Unrecognized deferred tax assets as at December 31, 2017 and 2016 amount to P558,128,859 and P554,361,099, respectively. (see Note 13.1)

3.5 Changes in Accounting Policies

The Company changes an accounting policy only if the change is (a) required by a Standard or an Interpretation; or (b) results in the financial statements providing reliable and more relevant

information about the effects of transactions, other events or conditions on the Company's financial position, financial performance or cash flows.

Impact of New Amendments and Interpretations to Existing Standards

There are new and revised accounting standards, amendments and interpretations to existing standards that have been published by IASB and adopted by FRSC which are mandatory for accounting periods on or after January 1, 2016. Except as otherwise stated, the adoption of the new standards, amendments and interpretations, did not have a significant effect on the Company's financial statements. These standards are as follows:

Effective in 2017

- PAS 7, Disclosure Initiative. This amendment aims at clarifying PAS 7 and assist preparers of the financial statements in presenting changes in liabilities arising from financing activities. The disclosure initiative states that:
 - a) An entity shall disclose the following changes in liabilities arising from financing activities: (1) changes from financing cash flows; (2) changes arising from obtaining or losing control of subsidiaries or other businesses; (3) the effect of changes in foreign exchange rates; (4) changes in fair values; and (5) other changes.
 - b) The disclosure requirement also applies to changes in financial assets (for example, assets that hedge liabilities arising from financing activities) if cash flows from those financial assets were, or future cash flows will be, included in the cash flows from financing activities.
 - c) To fulfill the requirement, the Company may provide a reconciliation between the opening and closing balance in the statement of financial position for liabilities arising from financing activities. Where an entity discloses such a reconciliation, it shall provide sufficient information to enable users of the financial statements to link items included in the reconciliation to the statement of financial position and the statement of cash flows.
 - d) If an entity provides the disclosure required, in combination with disclosures of changes in other assets and liabilities, it shall disclose the changes in liabilities arising from financing activities separately from changes in those other assets and liabilities.
- PAS 12, Recognition of Deferred Tax Assets for Unrealized Losses. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. Therefore, assuming that the tax base remains at the original cost of the debt instrument, there is a temporary difference.

Future Changes in Accounting Policies

The Company will adopt the following revised standards, interpretations 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 significant impact on its financial statements.

Effective in 2018

- IFRS 15, *Revenue from Contracts with Customers*. This standard will supersede PAS 18 'Revenue', PAS 11 'Construction Contracts' and a number of revenue-related interpretations. Application of the standard is mandatory for all PFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. It also provides a model for the recognition and measurement of sales of some non-financial assets including disposals of property, equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognize revenue.

The core principle is that an entity will recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

This new standard provides a single, principles based five-step model to be applied to all contracts with customers. The five steps are: Identify the contract with the customer, Identify the performance obligations in the contract, Determine the transaction price, Allocate the transaction price to the performance obligations in the contracts, and Recognize revenue when (or as) the entity satisfies a performance obligation. For each step of the model, the standard requires entities to exercise judgement and to consider all relevant facts and circumstances when applying the model to contracts with their customers.

In addition to the five-step model, the standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

On 28 May 2014, the IASB issued IFRS 15 with an effective date of 1 January 2017 with earlier application permitted. On September 11, 2015, amendments was issued changing the mandatory effective date of IFRS 15 from annual periods beginning on or after 1 January 2017 to annual periods beginning on or after 1 January 2018. . The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

The Standard is not applicable to the Company.

- *PFRS 9 Financial Instruments -Finalized version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.*

Historical Background

The original version PFRS 9 was issued in 2009 which covers the new classification and measurement model of financial assets followed by requirements for financial liabilities and derecognition added in 2010. In 2011, amendments to the standard was issued in deferring the effectivity date of both versions, which is January 1, 2013, to January 1, 2015. However, in 2013, amendments was issued to introduce the new hedge accounting model and removed the mandatory effective date for PFRS 9 which will be set once the standard is complete with a new impairment model and finalization of any limited amendments to classification and measurement.

Finalization of the PFRS 9

On July 1, 2014, finalized version of PFRS 9 'Financial Instruments' was issued in order to bring together the classification and measurement, impairment and hedge accounting to replace PAS 39 'Financial Instruments: Recognition and Measurement'. This finalized version of PFRS 9 adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income (FVTOCI) category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics test.

➤ Expected loss impairment model

The impairment model in PFRS 9 is based on the concept of providing for expected losses at inception of a contract, except in the case of purchased or originated credit-impaired financial assets, where expected credit losses are incorporated into the effective interest rate.

➤ Limited amendments to classification and measurement of financial assets

Fair value through other comprehensive income (FVTOCI) category

The final version of PFRS 9 introduces a new classification and measurement category of FVTOCI for debt instruments that meet the following two conditions:

Business model test: The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

➤ Additional guidance

The final Standard also adds guidance on how to determine whether financial assets are held under a business model that is 'hold to collect' or 'hold to collect and sell' with examples and explanations of the types and levels of sales that are acceptable for such business models.

In addition to guidance on the business model test, the Standard adds guidance on the contractual cash flow characteristics test to clarify that in basic lending arrangements the most significant elements of interest are consideration for the time value of money and credit risk. If the time value of money element is modified (e.g. interest rate resets every month to a one-year rate), an entity is required to assess the modified element against new criteria introduced by the amendment.

The application guidance also introduces an additional exception that allows certain additional prepayment features to meet the contractual cash flow characteristics requirements to qualify for amortised cost or FVTOCI measurement.

This final version of PFRS 9 supersedes all previous versions of the Standard. However, for annual periods beginning before 1 January 2018, an entity may elect to apply those earlier versions of PFRS 9 if the entity's relevant date of initial application is before February 1, 2015.

The Standard has a mandatory effective date for annual periods beginning on or after 1 January 2018, with earlier application permitted (subject to local endorsement requirements). The Standard is applied retrospectively with some exceptions (for example most of the hedge accounting requirements apply prospectively) but entities need not restate prior periods in relation to classification and measurement (including impairment).

The Company initially determined that future adoption of this amendment will not have a material effect on its 2017 and 2016 financial statements.

Amendment to PFRS 2 Classification and Measurement of Share-based Payment Transactions. The amendments are intended to eliminate diversity in practice in three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share based payment transaction
 - The classification of a share-based payment transaction with net settlement features for withholding tax obligations
 - The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.
- Annual Improvements to PFRS 2014–2016 Cycle
 - a.) Amendment to PFRS 1 - Deletion of short-term exemptions for first-time adopters because they have now served their intended purpose
 - b.) Amendment to PFRS 12 - Clarification of the scope of the standard by specifying that the disclosure requirements in the standard also apply to interests held for sale and discontinued operation in accordance with IFRS 5

- c.) Amendment to PAS 28 – Clarified 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.
- Amendment to PAS 40 – States 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
- IFRIC 22 – Foreign currency transactions and advance considerations – the interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each- payment or receipt.

With No Mandatory Effective Dates

PFRS 10 and PAS 28, *Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture*. These amendments address a conflict between the requirements of PAS 28 'Investments in Associates and Joint Ventures' and PFRS 10 'Consolidated Financial Statements' and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

This amendments to standards was previously effective on a prospective basis to transactions occurring in annual periods beginning on or after 1 January 2016 but deferred indefinitely on December 17, 2015.

These amendments are not applicable to the Company.

Note 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are summarized below. The policies have been consistently applied to all years presented unless otherwise stated.

4.1 Financial instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the Statement of Financial Position 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 de-recognition, as applicable, is done using settlement date accounting. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

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 initial

measurement of financial instruments, except for those designated at fair value through profit or loss, includes transaction cost.

Subsequent to initial recognition, the Company classifies its financial instruments in the following categories: financial assets and financial liabilities at FVPL, loans and receivables, held-to-maturity investments, AFS financial assets, and other financial liabilities. The classification depends on the purpose for which the instruments are acquired and as liabilities were incurred or whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this classification at reporting date.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting 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 ask 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 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, option pricing models, and other relevant valuation models.

'Day 1' Profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in the Company's 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 Company's Statement of Comprehensive Income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit amount.

Financial Assets and Financial Liabilities

This category consists of financial assets or financial liabilities that are held for trading or designated by management as at FVPL on initial recognition. Derivatives instruments, except those covered by hedge accounting relationships, are classified under this category.

Financial assets or financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed, and their performance 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.

Financial assets and financial liabilities at FVPL are recorded in the Statement of Financial Position at fair value, with changes in the fair value recorded in the Company's Statement of

Comprehensive Income. Interest earned or incurred is recorded in investment income or interest expense, respectively, while dividend income is recorded when shareholders' right to receive the payment has been established under the investment income account.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reported in the Statement of Financial Position 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.

1. Financial Assets

Financial assets include cash and other financial instruments. Financial assets, other than hedging instruments, are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

The Company has no financial assets designated at FVPL, HTM investments and derivatives designated as hedging instrument as at December 31, 2017 and 2016. The foregoing categories of financial instruments are more fully described below.

(a) 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 classified as financial assets held for trading designated as AFS investments or designated at FVPL. This accounting policy relates to the statement of financial position captions 'cash' that comprises cash held in banks. Loans and receivables are classified as current when these are expected to be realized within one (1) year after the end of each reporting period or within AMIC's normal operating cycle, whichever is longer. All others are classified as non-current.

After initial measurement, receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment losses. Amortized costs is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR.

(b) Available-for-sale Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are presented as Available for Sale Financial Assets account in the Statement of Financial Position.

All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in equity, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognized in the Statement of Comprehensive Income when they are sold or when the investment is impaired. In the case of impairment, the cumulative loss previously recognized directly in equity is transferred to the Statement of Comprehensive Income.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the Statement of Comprehensive Income. Reversals in respect of equity instrument classified as available-for-sale are not recognized in profit. Reversal of impairment losses on debt instrument are recognized in the Statement of Comprehensive Income if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the Statement of Comprehensive Income.

Impairment losses recognized on financial assets are presented as part of Other Expenses in the Statement of Comprehensive Income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange-quoted market bid prices at the close of business reporting date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured. In the Statement of Comprehensive Income, all income and expenses relating to financial assets recognized in profit or loss are presented as Other Income and Finance Costs, respectively.

The Company's AFS financial asset consist of investments in quoted equity securities currently traded in the PSE and unquoted equity securities such as investments in shares of stock of MRTHI and MRTHII as of December 31, 2017 and 2016. (See Note 7)

Impairment of Financial Assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Derecognition of 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 where:

The rights to receive cash flows from the asset have expired;

The Company 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 Company has transferred its right 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.

Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that had been recognized directly in equity shall be recognized in Statement of Comprehensive Income.

Financial Liabilities

Financial liabilities include interest-bearing loans and borrowing, trade and other payables and finance lease liabilities, due to related parties and other non-current liabilities, which are measured at amortized cost using the effective interest rate method.

Financial liabilities are recognized when the Company becomes a party to the contractual agreements of the instrument. All interest-related charges are recognized as an expense in the Statement of Comprehensive Income under the caption Finance Costs. Interest-bearing loans and borrowings are raised for support of long-term funding of operations. They are recognized at proceeds received, net of direct issue costs.

Initial recognition of Financial Liabilities

Financial liabilities are initially recognized at their fair value and subsequently measured at amortized cost less settlement payments, except when these are payable within one year in which case they are stated at their nominal values. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the Company Statement of Comprehensive Income.

Dividend distributions to shareholders are recognized as financial liabilities when the dividends are approved by the shareholders.

Initial recognition of Financial Liabilities

Financial liabilities are initially recognized at their fair value and subsequently measured at amortized cost less settlement payments. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the Company's Statement of Comprehensive Income.

Dividend distributions to shareholders are recognized as financial liabilities when the dividends are approved by the shareholders.

Derecognition of Financial Liabilities

Financial liabilities are derecognized from the Statement of Financial Position only when the obligations are extinguished either through discharge, cancellation or expiration. Where 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 the Company's Statement of Comprehensive Income.

Other Financial Liabilities

Other financial liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They arise when the Company owes money, goods or services directly to a creditor with no intention of trading the payables. Other liabilities are carried at cost or amortized cost in the Statement of Financial Position. Amortization is determined using the effective interest rate method. Other liabilities are included in current liabilities if maturity is within 12 months from the reporting date and will form part of non-current liabilities if beyond 12 months.

The Company's other financial liabilities includes Accrued Expenses, subscription payable and Advances for future lease income. Also included are deposits received from MPIC in consideration from the Cooperation Agreement. (See Note 10)

4.2 Investment in Associate

Significant influence and use of equity method

The Company carries its investment in Monumento Rail, where the Company has the ability to exercise significant influence since the date of acquisition, under the equity method of accounting. The existence of significant influence of the Company is evidenced by the following: representation on the board of directors, participation in the policy-making process, managerial personnel and material transaction between the two companies.

Initial and subsequent recognition

Under the equity method, the investment is initially carried at cost and is subsequently adjusted to reflect its share in Monumento Rail's net profit or loss. Other adjustments to its carrying amount include distributions received from Monument Rail and those arising from changes in Monumento Rail's other comprehensive income not included in its profit or loss such as revaluations.

Presentation

The investment is carried in the statement of financial position at cost plus post-acquisition changes in the Company's share in net assets of the associate, distributions received less any impairment in value. The statement of comprehensive income reflects the Company's share of the financial performance of the associate. Where there has been a change recognized directly in equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in capital deficiency.

The share of profit of associates is shown in the statement of comprehensive income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

Date of associate's financial statements and accounting policies

In applying the equity method, the Company uses the financial statements of the associate as of the same date as its financial statements unless it is impracticable to do so. If it is impracticable, the most recent available financial statements of its associate are used, with adjustments made for the effects of any significant transactions or events occurring between the accounting period ends. However, the difference between the reporting date of the associate and that of the Company is not longer than three months. Monumento Rail's accounting policies are the same as that of the Company's.

Derecognition

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal are recognized in profit or loss.

Share in losses in excess of investment

If the Company's share of losses in Monumento Rail equals or exceeds its interest in Monumento Rail, the Company discontinues recognizing its share of further losses. The Company's interest in Monumento Rail is the carrying amount of its investment in Monumento Rail under the equity method together with any long-term interests that, in substance, form part of its net investment in Monumento Rail. After its interest is reduced to zero, additional losses are recognized by a provision (liability) only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of Monumento Rail. If Monumento Rail subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized. (See Note 9)

4.3 Investment in Subsidiary

Subsidiaries are all entities over which the Company has the power to control the financial and operating policies. Control is achieved where the Parent Company has the power to govern the financial and operating policies of an entity generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date on which control ceases.

The Company uses the acquisition method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured at fair value of the assets given, the equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of the minority interest. The excess of cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. If the acquisition is less than fair value of the net assets of the subsidiary acquired, the difference, or negative goodwill, is recognized as Income from Acquisition directly in the Company statement of comprehensive income as part of Other Revenues.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired (see Note 4.4)

Transfers of assets between commonly controlled entities are accounted for under historical cost accounting.

The results of subsidiaries disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of disposal.

Intra group transactions, gains and losses on intra-group transactions are eliminated. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the accounting policies adopted by the Company.

Non-controlling interests in subsidiaries are identified separately from the Company's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the investee's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Company loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognized in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

4.4 Impairment of Non-Financial Assets

The Company's Non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separate identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal evaluation of discounted cash flow. Impairment loss is charged pro-rata to the other assets in the cash-generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

4.5 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, where time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

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

4.6 Revenue, Other Income and Expense Recognition

Revenue

Revenue is recognized to the extent that the revenue can be reliably measured, it is probable that the economic benefits will flow to the Company, and the revenue incurred or to be incurred can be measured reliably.

Other Income

1. *Share in the Lease income termed as "Depot Royalties"*– Revenue is recognized when earned and computed at 28.47% of 5% the gross receipts of the rental income from 8.3 ha commercial center and 5% of the gross proceeds of sale or leases on improvements of 4.6 ha lot pads less management fee and general and admin expenses relative to the leased areas. (See Notes 2, 9.1 and 11.1)
2. *Interest* – Revenue is recognized as interest accrues (taking into account the effective yield on the asset).
3. *Share in net profit of associate* – Revenue is recognized on the basis of its proportionate ownership interest.
4. *Realized gain on foreign exchange* – Foreign exchange gain is the difference resulting from exchange differences arising on the settlement of monetary items.

Cost and Expense Recognition

Costs and expenses are recognized in the Statement of Comprehensive Income upon utilization of the service or at the date they are incurred. Except for borrowing costs attributable to qualifying assets, all finance costs are reported on an accrual basis. Cost and Expenses are

presented as Other Expense (*Note 11.2*) and General and Administrative Expenses (*Note 12*) in the Statements of Comprehensive Income.

4.7 Functional Currency and Foreign Currency Transactions

(a) Functional and Presentation Currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Philippine pesos, which is the Company's functional and presentation currency.

(b) Transactions and Balances

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Comprehensive Income.

The Effects of Changes in Foreign Exchange Rates

Provides certain restrictions in allowing the capitalization of foreign exchange differentials. Under prevailing circumstances, the adoption will not have a material effect on the Company's financial position, results of operations and cash flows in year 2017 and 2016 since the Company does not have foreign currency transactions.

4.8 Impairment of Non-financial Assets

The Company's investments in intangible assets and, property and equipment are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal evaluation of discounted cash flow. Impairment loss is charged pro-rata to the other assets in the cash-generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

4.9 Related Party Transactions

Parties are considered to be related if one party has the ability to, directly or indirectly, control or exercise significant influence over the 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 party relationships are a normal feature of commerce and business. The Company sometimes grants/secures interest-bearing and non-interest bearing advances to/from its affiliates and/or shareholders. Interest-bearing advances are covered by promissory notes renewable annually. Advances to affiliates and/or shareholders are presented as part of Loans and Receivables in the Company's Statement of Financial Condition. Interest-bearing advances from an affiliate and/or shareholder are presented as part of Notes Payable in the Statement of Financial Position.

Transactions between related parties are accounted for at arm's-length prices or on terms similar to those offered to non-related entities in an economically compatible market. (See Note 17)

4.10 Income Taxes

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the Statement of Comprehensive Income.

Deferred tax is provided, using the balance sheet liability method on temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. (See Note 13.1)

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carry forward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused tax losses from net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward benefits of unused tax credits from excess MCIT over RCIT and unused tax losses from NOLCO can be utilized. Deferred tax assets and liabilities are not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss under the balance sheet liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred income tax asset can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized, or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in subsidiaries and affiliates.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the Statement of Comprehensive Income. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

At each reporting date, management re-assesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

4.11 Earnings (Loss) per Share

Earnings (Loss) per share is computed by dividing the net income (loss) for the year attributable to equity holders of the Company by the weighted average number of ordinary shares issued and outstanding during the year after considering the retroactive effect, if any, of stock dividends declared during the year, excluding treasury shares. *(See Note 14)*

Diluted earnings per share is calculated by dividing the net income or loss for the year by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares and adjusted for the effects of all dilutive potential common shares, if any.

In determining both the basic and diluted earnings per share, the effect of stock dividends, if any, is accounted for retroactively.

4.12 Equity

Capital stock is determined using the nominal value of shares that have been issued. *(See Note 15)*

Additional paid-in capital includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits. Treasury shares are stated at the cost of reacquiring such shares.

Unrealized gain/loss includes all changes in market value of the Available-for-sale Financial Assets that are taken directly to the equity. *(See Note 7.2)*

Retained earnings (deficit) include all current and prior period results as disclosed in the statement of income.

Prior Period Adjustments

Errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements. Potential current period errors discovered in that period are corrected before the financial statements are authorized for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period. The Company corrects a prior period error by retrospective restatement except when it is impracticable to determine either the period-specific effects or the cumulative effect of the error. When it is impracticable to determine the period-specific effects of the error on comparative information for one or more prior periods presented, the restatement of the opening balances of assets, liabilities and equity shall be made for the earliest period for which retrospective restatement is practicable. When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, restatement of the comparative information to correct the error prospectively shall be made from the earliest date practicable.

4.13 Business Segments

The Company's operating business are organized 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.

Segment Assets and Liabilities. Segment assets include all operating assets used by a segment and consist principally of operating cash. Segment liabilities include all operating liabilities and consist principally of accrued expenses and other current liabilities. Segment assets and liabilities do not include AFS financial assets and borrowings, respectively.

Inter-segment Transactions. Segment revenue, segment expenses and segment performance include transfers among business segments. The transfers, if any, are accounted for at competitive market prices charged to unaffiliated customers for similar products.

4.14 Events after the Reporting Date

Events after the reporting date are those events, favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue.

The Company adjusts the amounts recognized in the financial statements to reflect adjusting events after the reporting date. Non-adjusting events are not recognized in the financial statements but are disclosed in the Notes to Financial Statements. (See Note 21)

Note 5 – CASH

The Company recognized cash in bank amounting to P871,601 and P931,146 as at December 31, 2017 and 2016.

Cash accounts with banks generally earn interest at rates based on daily bank deposit rates. Interest income amounts to P3,606, P2,515 and P5,509 in 2017, 2016 and 2015, respectively presented as part of Other Income in the Statement of Comprehensive Income. The Company recognized foreign exchange gain in USD-denominated bank account amount to P1,966, P926 and P1,603 in 2017, 2016 and 2015, respectively (see Note 11.1).

Note 6 – RECEIVABLES

This account is composed of the following:

	2017	2016
Accounts Receivable (Note 6.1)	P 29,343,472	P 28,958,970
Receivable from Monumento Rail (Notes 6.2 and 17)	6,216,406	6,216,406
Advances to MRTHI (Note 6.3)	2,779,228	2,779,228
Advances to MGHC Royal Holdings Corp. (Note 9.2)	45,191	-
Advances to Officer / Employee	20,000	
Other Receivables	239,746	5,000
	P 38,644,043	P 37,959,604

6.1 Accounts Receivable

This account pertains to accrual of the Company's 28.47% share in the lease income from depot development rights in TriNoma from North Triangle Depot Commercial Corporation (NTDCC) (see Notes 11.1) which is inclusive of deferred output VAT (see Note 10.4).

The fair value of these short-term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value.

6.2 Receivable from Monumento Rail

This account includes the share in various expenses of Monumento Rail paid by the Company (see Note 17) and settlement of the redemption price for the preferred shares redeemed amounting to P901,471 (see Note 8).

6.3 Advances to MRTHI

This account pertains to expenses relating to meetings with prospective investors paid by the Company in behalf of MRTHI in 2014. (See Note 17)

Note 7 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account is composed of the following:

	2017	2016
Unquoted equity securities (Note 7.1)	<u>P 1,490,792,039</u>	P 1,502,387,054
Quoted equity securities (Note 7.2)	<u>4,452,804</u>	5,416,990
	<u><u>P 1,495,244,843</u></u>	<u><u>P 1,507,804,044</u></u>

7.1 Unquoted equity securities

Details of investments in MRTHI and MRTHII as at December 31, 2017 and 2016 as follow:

	2017	2016
Acquisition cost	<u>P 3,331,144,116</u>	P 3,331,144,116
Balance at beginning of year	<u>P 1,502,387,054</u>	P 1,516,224,592
Less: Impairment loss (Note 11.2)	<u>(11,595,015)</u>	(13,837,538)
Balance at end of year	<u><u>P 1,490,792,039</u></u>	<u><u>P 1,502,387,054</u></u>

The Company's ownership interests as at December 31, 2017 and 2016 in MRTHI and MRTHII are as follow:

Investee	Interest	Indirect Interest	Effective Interest	Nature of Business
MRTHI	18.6%	-	18.6%	Holding Company
MRTHII	12.6%	15.80%	28.4%	Holding Company

MRTHI

MRTHI has 84.9% interest in MRTH II.

MRTH II

MRTHII wholly owns MRTCL, which was awarded by the Philippine Government (Government), acting through the DOTC, the BLT Agreement to build, lease, and transfer a 16.9-kilometer rail transit system in Metro Manila, known as LRTS Phase I, with a right to submit a bid for the Monumento Extension (LRTS Phase II) and the Makati Loop. (See Note 2)

Sale of Future Share Distributions

In 2002, the Company and other participating shareholders of MRTHI and II (collectively referred to as the 'Sellers', entered into Sale Agreements (Agreements) with TBS Kappitel Corporation Pte Ltd (TBS Kappitel). Under the said Agreements, the Sellers sold to TBS Kappitel all future share distributions arising from the ERP of the LRTS Phase I Project of MRTCL in exchange for Original Issuance Discount Bonds (OID Bonds) due in 2009 with an

aggregate principal amount of US\$80,630,000 issued by Asian Infrastructure Capital Corporation (Asian Infrastructure).

Asian Infrastructure and the Sellers subsequently agreed that the former shall redeem the OID Bonds held by the Sellers in full by delivering (a) US\$57,678,000 in aggregate principal amount of Asset-Backed Notes ("Notes") – Tranche 1 and (b) US\$22,952,000 in aggregate principal amount of the Tranche 2-A Notes, after which the Sellers would have no further claims against Asian Infrastructure and that the OID Bonds will be cancelled.

The Company also sold to TBS Kappitel all of its rights, title and interest in and the right to receive such future share distribution in MRTH I and/or MRTH II, arising from 7,577,800 shares of common stock of MRTH II acquired by the Company under the Minority Shareholder Sale Agreement, from January 15, 2002 until the final ERP Date. In consideration for the sale, the Company received the aggregate principal amount of US\$3,500,000 of the Tranche 1 Notes.

The Notes were issued by MRT III Funding Corporation Limited (MRT III). Tranche 1 Notes are transferable and bear annual interest at 9.5% and are due on August 7, 2007. Tranche 2-A Notes are without interest rate coupons and are due on August 7, 2008. The Notes were used by the Company to substantially settle its debts to FEMI, a major shareholder.

The security structure of the transactions as described above is covered by several agreements that provide the link between share distributions arising from the ERP of the LRTS Phase I Project of MRTC and payments to the Noteholders. The parties involved include MRTC, MRTH I, MRTH II, TBS Kappitel, the Sellers (which include the Company), the custodian and the trustee. These agreements: (a) facilitate the timely payment of the Sellers' share of the ERP of the LRTS Phase I Project of MRTC ensuring that the right to receive their share in the ERP has been legally independent of the Sellers to the Noteholders, (b) ensure the flow of rental payments independent of the Sellers, (c) bind the Sellers to cause the timely collection of rental payments and to cause MRTC to perform its obligations, and (d) prevent the Sellers from selling their rights in MRTC for as long as the Notes are outstanding. Accordingly, the stock certificates of the Company in MRTH I and MRTH II are under the custody of a trustee and were pledged to MRT III.

MRTC accounts for the lease payments from DOTC under finance lease where lease financing income is recognized using a constant periodic rate of return on the net investment. Future share distribution sold under the Agreements pertains to the Company's share in the ERPs of the LRTS Phase I Project of MRTC.

Pursuant to the Coordination Agreement and Cooperation Agreement, both dated August 7, 2002, the Company and the other participating shareholders of MRTH I and MRTH II shall (a) cause MRTC to perform its obligations under its agreement with the DOTC and cause the timely collection of rental payments and (b) ensure that ERP have been remitted to MRT III bank account either by way of declaration of dividends or by way of advances against dividends.

Pursuant to the agreements above, MRTC has remitted to the MRT III bank account the ERP of the LRTS Phase I Project received from DOTC. On April 4, 2014, MRTC declared cash dividends equivalent to and to be offset against accumulated advances to shareholders representing ERP remittances to shareholders as at December 31, 2013.

With the sale of the future share distributions from ERPs of the LRTS Phase I project of MRTC, the Company does not recognize its share in earnings of MRTC arising from the ERPs of the LRTS Phase I Project.

Notwithstanding the sale of future share distributions, the Company, together with the other participating shareholders of MRTH I and MRTH II in the securitization, continues to hold on

to the legal rights over the shares of stock in MRTHI and MRTH II in compliance with the various agreements related to the Notes as previously discussed, as well as the Company's obligation under the Agreement of MRTC with DOTC whereby the original shareholders of MRTHI and MRTH II are precluded from transferring their equity interest in MRTHI and MRTH II until the end of the BLT Agreement in July 2025. Accordingly, any additional variable ERP to be received by MRTHI and MRTH II through MRTC from DOTC in the future in the form of a ridership bonus or sharing scheme which were not included in the future share distributions sold and any benefits arising from the residual rights in the expansion project shall still accrue to the Company and the other shareholders.

Letter of Agreement

On the basis of these potential benefits, on August 18, 2005, the Company and FEMI entered into a "Letter of Agreement", whereby FEMI has agreed to grant and granted the Company the sole option to assign to FEMI its equity interests in MRTHI and MRTH II as settlement of the Company's liabilities to FEMI amounting to P807.32 million (included in 'Due to a stockholder' account in the statements of financial position) and any additional advances or interest which FEMI may charge to the Company in relation to the said advances. Under the "Letter of Agreement," should the Company opt to sell the said investments to third party or parties in the future, FEMI has the right of first refusal to purchase the said investments at its prevailing market value.

As also discussed in Note 2, on November 12, 2010, the Fil-Estate Companies entered into a Cooperation Agreement with MPIC relating to the Fil-Estate Companies' rights and interests in the MRT Companies. Under the Cooperation Agreement, the Fil-Estate Companies shall appoint MPIC as its attorney-in-fact in connection with the exercise of the rights and interests of the Fil-Estate Companies in the MRT Companies. Deposits received by the Company in 2010 amounted to P350.0 million and is recorded as part of "Due to a stockholder" in the statements of financial position. Should the agreement be consummated, the deposits will form part of the total acquisition price. Otherwise, these shall be forfeited and recorded as other income. The completion and consummation of the transaction contemplated by the parties is subject to certain conditions, which as at December 31, 2017 has not yet occurred. As such, MPIC and Fil-Estate Companies are still in the process of discussing possible scenarios on how to implement the transactions contemplated by the parties when they entered into the Cooperation Agreement.

Management believes that the carrying amount of the investments in MRTHI and MRTH II, after the application of the proceeds from the sale of the share of the future share distributions as discussed above, can be realized in the future through:

- a. The Company's share in any additional variable ERP received by MRTC from DOTC in the form of a ridership bonus or sharing scheme which were not included in the future share distributions sold;
- b. The Company's share in the benefits arising from the residual rights in the expansion project; and
- c. The Company's put option to use the shares of stocks of MRTHI and MRTH II to pay-off its net advances from FEMI pursuant to the "Letter of Agreement" discussed above.

As at December 31, 2016, the outstanding liability to FEMI and after considering the deposit received from MPIC and advances from MRTHI and MRTHII for an aggregate amount of P1,502.4M while the carrying value of the investments amounts to P1,516.2M. Therefore, there is an indication of impairment. The Company recognized an impairment loss of P13.8M for the year. (See Note 11.2)

As at December 31, 2017, the outstanding liability to FEMI and after considering the deposit received from MPIC and advances from MRTHI and MRTHII for an aggregate amount of

P1,502.4M while the carrying value of the investments amounts to P1,490.8M. Therefore, there is an indication of impairment. The Company recognized an impairment loss of P11.5M for the year. (See Note 11.2)

7.2 Quoted equity securities

Movements in AFS financial assets consists of:

	2017	2016
Acquisition cost	P 2,565,582	P 2,565,582
Cumulative change in fair value of AFS		
Balance at beginning of year	2,851,408	2,178,072
Changes in fair value during the year	(964,186)	673,336
Balance at end of year	1,887,222	2,851,408
	P 4,452,804	P 5,416,990

The changes in fair value of quoted equity securities are presented as changes in fair value of available-for-sale financial assets in the Other Comprehensive Income amounting to P(964,186) and P673,336 in 2017 and 2016, respectively.

Note 8 – OTHER CURRENT ASSETS

This account consists of the following:

	2017	2016
Creditable Withholding Tax (Note 13.2)	P 1,392,159	P 1,353,223
Input VAT (Note 13.2)	86,045	225,785
Balance at end of year	1,478,204	1,579,008

Creditable withholding relates to the lease income received in 2017 and 2016. (See Note 11.1)

Note 9 – INVESTMENTS

9.1 Investment in Associates

The Company, through its direct and indirect investments in MRTH I and MRTH II, is the beneficial owner of 28.47% equity interest in Monumento Rail Transit Corporation (Monumento Rail). The Company's interest in Monumento Rail expectedly allows the Company's participation in the train system extension and additional train/vehicle procurement, in the event the Government awards the projects to MRTC, and it will continue to pursue. As at December 31, 2017, the Monumento Rail has no commercial activity and is in the process of negotiating with the Government towards the submission of a proposal for the said projects.

Build-Lease-Transfer Agreement

Under the Build-Lease-Transfer (BLT) between the Department of Transportation and Communication (DOTC) and Metro Rail Transit Corporation, (formerly EDSA LRT Corporation), Metro Rail Transit Corporation was granted Development Rights over the 16 ha. Depot along North Avenue, Quezon City.

Development Rights Assignment

On June 16, 1995, Metro Rail Transit Corporation and MRTDC (formerly EDSA LRT Development Corporation) entered into a Deed of Assignment of Development Rights where MRTDC is obligated to pay/deliver to Metro Rail Transit Corporation the following:

(a) with respect to the improvements constructed by MRTDC on the Depot intended for sale or disposition, 5% of the gross proceeds of such sale;

Deeds of Assignment of Reserve Rights and Reserve Obligations

By virtue of an Assignment and Assumption Agreement dated December 18, 2000, Monumento Rail, a subsidiary of Metro Rail Transit Corp. Ltd. (MRTCL), accepted the assignment from the latter of the Reserved Rights as follows:

- (a) Develop commercial premises in the depot and the air space above the stations,
- (b) Lease or sub-lease interests or assign such interests in the depot and
- (c) Obtain any advertising income from the depot and such air space and LRTS Phase I, and the assumption of the Reserved Obligation representing all the obligations, liabilities and indebtedness under the assignment of Development Rights dated June 15, 1995 between MRTCL and Metro Rail Transit Dev. Corp. (DEVCO).

Reclassification of common shares into redeemable preferred shares

On February 17, 2006, the SEC approved the reclassification of a portion of the Monumento Rail's 190,000,000 issued common shares into 126,666,666 common shares and 63,333,334 common shares convertible into redeemable preferred shares.

Redemption of redeemable preferred shares

On August 22, 2006, the Board of Directors of Monumento Rail Transit Corporation (Monumento Rail) approved the redemption of the redeemable preferred shares it issued to its shareholders through the assignment of its right to receive Depot Royalty Rights pro-rata to the percentage of shareholdings held by each shareholder. On December 17, 2014, Monumento Rail and its shareholders executed the Redemption and Deeds of Assignment of the redeemable shares. The cost of the Company's 18,029,417 redeemable preferred shares amounts to P901,471 based on par value of P.05 per share which is the price per share at time of redemption. In accordance with the Articles of Incorporation of the issuer, the holder of the redeemable preferred shares is given the privilege of a right to receive Depot Royalty pro-rata to the percentage of shareholdings of redeemable shares by each stockholder of record as of August 22, 2006. As of reporting date, the Company recognized its share in the lease income termed as "Depot Royalty" amounting to P27,423,805 representing 28.47% of 5% of lease income in the subject Depot in 2017. (See Note 11.1)

Settlement Agreement

On December 17, 2014, the Company, together with all the shareholders of Monumento Rail Transit Corp., entered into a Settlement Agreement with Metro Rail Transit Development Corporation (MRTDEVCO) and companies who are parties to a Vested Rights Agreement dated May 22, 1995, whereby MRTDEVCO agreed to assign to parties of the Vested Rights Agreement the development rights to specific developable areas of the 16 hectares Depot in North Triangle corner EDSA, North Avenue and Mindanao Avenue. The assignment of development rights, however, are conditioned on the assumption of the assignees of the obligation to pay the Depot Royalties to shareholders of Monumento Rail Transit Corp. (Monumento Rail) arising from the developments in the Depot in accordance with the Deed of Assignment of Development Rights of June 16, 1995 between Metro Rail Transit Corp. Ltd. (MRTCL) and MRTDEVCO, the Assignment and Assumption Agreement of December 18, 2000 between MRTCL and the Company, and Deed of assignment between by MRTDEVCO to NTDCC on February 21, 2002.

Assumption and Accession Agreement

On October 29, 2015, the Company, together with Global-Estate Resorts, Inc. (GERI) and North Triangle Depot Commercial Corporation (NTDCC) entered into an Assumption and Accession

Agreement. Under the agreement, GERI, with the consent of the Company, assigned to NTDCC the former's obligation to pay the Company the latter's 28.47% of 5% of the Depot Royalties.

Lease Agreement

GERI and NTDCC also entered into a Lease Agreement over North Avenue Lot Pads A and B in the Depot. As a condition to the signing of the Lease Agreement, GERI required NTDCC to assume the obligation of GERI to pay the Company 28.47% of 5% the Depot Royalties pursuant to the Assumption and Accession Agreement.

The 28.47% equity interest of the Company in Monumento Rail consisted of:

- (a) Shares issued to the Company totaling 10,000,675 shares, which constitutes 15.79% of the total equity of Monumento Rail;
- (b) Shares issued in the name of Fil-Estate Properties, Inc. (FEPI), totaling 5,485,680 shares, which represents 8.66% equity interest in Monumento Rail, to which FEPI issued in favor of the Company, a "Declaration of Trust and Transfer"; and,
- (c) Shares of several minority shareholders aggregating 2,544,320 shares, representing 4.02% equity interest in Monumento Rail, acquired by the Company in 2002. On January 7, 2015, the Regional Trial Court of Makati issued a certification of a Special Power of Attorney (document) issued on January 14, 2002 whereby these minority shareholders have named and appointed the Company to be their lawful attorney-in-fact with full power and authority to perform such acts relative to the shares as enumerated in the document. In 2014, Deeds of Assignment were issued formally transferring minority shareholders' respective interest in Monumento Rail aggregating 4.02% to the Company.

The 28.47% equity interest in Monumento Rail entitled the Company to a share in the Depot Royalty Rights due to the shareholders of Monumento Rail computed at 28.47% of 5% of the gross receipts of the rental income from 8.3 ha commercial center and 5% of the gross proceeds of sale or leases on improvements of 4.6 ha lot pads less management fee and general and admin expenses relative to the leased areas. (See Notes 2 and 6.1)

Monumento Rail has no commercial activity and is in the process of negotiating with the Government towards the submission of a proposal as of December 31, 2017.

There are no significant restrictions on the ability of Monumento Rail to transfer funds to the Company in the form of cash dividends or repayment of loans or advances.

The Company's original investment with Monumento Rail amounts to P1.2M.

As at December 31, 2017 and 2016, the Company recognized a share in net loss amounted to P20,833 and P1,838,252, respectively.

	2017	2016	2015
Share in profit (losses) for the period	P (20,833)	P (1,838,252)	P (254,332)
Cumulative share of profit (losses)	6,937,877	6,958,710	8,796,961

The summarized financial information of Monumento Rail as follows:

	<u>2017</u>	<u>2016</u>
Total assets	P 127,802,410	P 127,116,461
Total liabilities	124,410,612	123,651,486
Total capital	3,391,798	3,464,975
Retained earnings	(2,941,535)	(2,868,358)
Net income (loss)	(73,177)	(6,456,802)

9.2 Investment in Subsidiary

In 2017, the Company acquired 99% ownership of MGHC Royal Holdings Corporation, amounting to P2,499,500.

MGHC Royal Holdings Corporation was organized and established as a domestic corporation under SEC Registration Number 201715236 dated May 19, 2017. The principal activity of the company is to engage in the business of invest, in purchase, or otherwise acquire, and own, hold, use, sell, assign, transfer, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities of obligation of any other corporation or corporations associations or associations, domestic or foreign, for whatever lawful purpose or purposes.

The condensed financial information of MGHC Royal Holdings Corp. as of December 31 as follows:

	<u>2017</u>
Total assets	P 625,321
Total liabilities	45,191
Total capital	580,129
Net income (loss)	(44,871)

Note 10 – ACCRUED EXPENSE AND OTHER CURRENT LIABILITIES

This account consists of the following on the next page:

	<u>2017</u>	<u>2016</u>
Advances from MPIC (Note 10.1)	P 350,000,000	P 350,000,000
Accrued Expense (Note 10.2)	62,890,360	59,375,284
Advances from NTDCC (Note 10.3)	28,366,428	28,616,135
Deferred Output VAT (Note 10.4)	3,290,857	3,247,735
Withholding Tax Payable - Expanded	25,834	25,836
Subscription Payable (Note 10.5)	1,886,763	12,263
	<u>P 446,460,241</u>	<u>P 441,277,252</u>

10.1 Advances from MPIC

This account pertains to deposit received from MPIC in relation to the Cooperation Agreement entered into by the Fil-Estate Companies amounting to P350M. Should the Cooperation Agreement be consummated, these advances will be used as acquisition price of the shares (see Note 2).

MPIC was appointed as attorney-in-fact in connection with the exercise of the rights and interests of the Fil-Estate Companies in the MRT Companies.

10.2 Accrued Expense

This account pertains mainly to accrual of deficiency tax for prior year and professional fee including audit fee. Also included is the accrual of retainer fees to Arch Advisory Limited amounting to P6,078,015, P2,752,215 and P3,345,345 in 2017, 2015 and 2014, respectively. (See Notes 12 and 21.2)

10.3 Advances from NTDCC

This account pertains to advances from North Triangle Depot Commercial Corporation (NTDCC) for future lease income. (See Note 9.1)

NTDCC was organized primarily to own and operate the commercial center known as Triangle in Northern Metro Manila (TriNoma) developed and built on top of the MRT Depot.

10.4 Deferred Output VAT

This account pertains to VAT on royalty income not yet received as of reporting date. (See Note 6.1)

10.5 Subscription Payable

This account pertains to the Company's investment to MGHC Royal Holdings Corporation which are not yet paid as of reporting date.

Note 11 – OTHER INCOME AND EXPENSE

11.1 Other Income

This account consists of the following:

	2017	2016	2015
Share in the rental income termed as			
"Depot royalties" (Note 6)	P 27,843,189	P 27,064,458	P 25,010,689
Interest Income (Note 5)	3,606	2,515	5,509
Gain/Loss on Foreign Exchange (Note 5)	1,966	926	1,603
	<u>27,848,761</u>	<u>27,067,899</u>	<u>25,017,801</u>

11.2 Other Expense

	2017	2016	2015
Impairment loss on investment (Note 7.1)	P 11,595,015	P 13,837,538	P 14,502,408
Share in net loss of associate (Note 8)	20,833	1,838,252	254,332
	<u>P 11,615,849</u>	<u>P 15,675,789</u>	<u>P 14,756,740</u>

Note 12 – GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of the following:

	2017	2016	2015
Professional & Retainers Fee (Note 22.1)	P 11,754,059	P 7,542,238	P 4,481,129
Taxes & Licenses (Note 13.2)	1,069,740	314,085	304,949
Legal/litigation	1,100,283	1,865,753	2,726,123
Salaries & Wages	960,000	960,000	560,000
Transportation & Travel Expense	932,808	1,233,827	731,906
Fines & penalties	425,000	425,360	425,000
13th month pay	80,000	80,000	80,000
Food Expense	78,882	23,451	58,398
Seminar & Training	60,000	78,048	63,000
Printing & Reproduction	18,301	8,154	30,630
Bank Charges	15,013	1,440	1,400
Gasoline Exp	1,607	-	-
Representation Exp.	45	- 873	422,350
Telephone, Telegraphic & Postage	13	13,956	-
Registration Fee	-	500	-
Sponsorship	-	20,000	150,000
Office Supplies	-	102	-
Global Technology Provider Fee	-	-	1,241,648
Repairs and Maintenance	-	-	2,500
	<u>P 16,495,752</u>	<u>P 12,566,040</u>	<u>P 11,279,033</u>

Professional fee includes retainer fee for the Company's financial advisor in connection with new financing of MRT3 for potential investors (see Note 22.1).

Fines and penalties pertain to SEC charges relative to annual PSE listing.

Note 13 – TAXES

13.1 Current and Deferred Tax

The major components of tax expense for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Regular Income Tax at 30%	P 5,227,635	P 1,361,839
Final tax on interest income	721	503
	<u>P 5,228,356</u>	<u>P 1,362,342</u>

The reconciliation of tax on pretax income computed at the applicable statutory rates to tax expense attributable to continuing operations follows:

	2017	2016
Tax on pre-tax income	P (78,852)	P (352,180)
Interest Income	(1,082)	(755)
Foreign exchange gain	(590)	-
Disallowed Expense	1,823,405	6,000
Share in net loss of associate	6,250	551,475
Deferred tax on Impairment loss on AFS	3,478,505	4,151,261
Final tax on interest income	721	503
Applied NOLCO	-	(2,993,964)
	<u>P 5,228,356</u>	<u>P 1,362,342</u>

Deferred Tax Asset

Deferred tax asset in respect to Company's impairment loss in unquoted AFS, provision for probable losses and market adjustment of quoted AFS for an aggregate amount of P558.13M and P554.36M as at December 31, 2017 and 2016, respectively has not been recognized because it is probable that future taxable income will be available against which the Company can utilize the benefit there from.

Details of unrecognized deferred tax asset are as follows:

	2017		2016	
	Tax Base	Tax Effect	Tax Base	Tax Effect
Impairment loss on AFS investment (Note 7.1, 10.2)	P 1,840,352,077	P 552,105,623	P 1,828,757,062	P 548,627,119
Provision for probable losses (Note 9.2, 11.2)	19,399,093	5,819,728	19,399,093	5,819,728
Unrealized (gain) loss on AFS	678,360	203,508	(285,826)	(85,748)
	<u>P 1,840,352,077</u>	<u>P 558,128,859</u>	<u>P 1,828,757,062</u>	<u>P 554,361,099</u>

13.2 Supplementary Information Required Under RR 15 – 2010

Output VAT

VAT Payable (Jan. 1, 2017)

a

Vatable Sales/Receipts for 2017

Zero-rated sales/receipts

Exempt sales/receipts

Sales	Output VAT
27,843,189	3,341,183
-	-
-	-
<u>27,843,189</u>	<u>3,341,183</u>

(continued on the next page...)

Less:

Allowable Input Tax:

Purchases for the year

	<u>Purchases</u>	<u>Input VAT</u>
Input Tax Carried from Previous Year/Excess over 70% of output VAT	-	225,785
Input Tax Deferred on capital goods exceeding P1M from prev. period	-	-
Input Tax Carried from Current period		
Purchase of capital goods not exceeding P1m	1,185	142
Purchase of capital goods exceeding P1m		
Domestic Purchase of Goods other than capital goods	1,005	121
Importation of goods other than capital goods	-	-
Domestic Purchase of Services	1,455,726	174,687
Total current purchases	<u>1,457,916</u>	<u>400,734</u>

Total Available Input Tax

Less: Deductions

Input Tax on capital goods exceeding P1M deferred for succeeding period	
Input Tax allocable to exempt sales	-
Input Tax in excess over 70% cap of output VAT carried to next period	<u>86,045</u>
Sub-Total	<u>86,045</u>

Total Allowable Input Tax

314,690

Net VAT Payable (Overpayment) for 2017

b

3,026,493

Less: Payments

Remittance of VAT Payable, Dec. 31, 2016

-

Remittance of 2017 VAT Payable (January 2017 to November, 2017)

c

3,026,493

3,026,493

Tax Still Payable (a + b - c)

(0)

Withholding Taxes

	<u>Remitted</u>	<u>Accrued</u>
Compensation		
Remittance of W/T Payable, Dec. 31, 2016	P 25,836	
Remittance of W/T Payable (January 2017 to November, 2017)	<u>218,174</u>	<u>P 25,834</u>

Expanded

Remittance of W/T Payable, Dec. 31, 2016	-	
Remittance of W/T Payable (January 2017 to November, 2017)	<u>44,444</u>	<u>-</u>

Taxes and Licenses

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Business permit	P 810,590	P 21,142	P 21,142
Annual Listing Fee	258,500	280,000	283,360
Others	650	12,943	447
	<u>P 1,069,740</u>	<u>P 314,085</u>	<u>P 304,949</u>

Creditable Withholding Tax

	2017	2016
Beginning balance	P 1,353,223	P -
Add: Creditable withholding tax received for the year	1,392,159	2,603,757
Less: Applications made		
Application made on 2016 income tax payable	(1,353,223)	-
Application made during the year 2017	-	(1,250,534)
Ending balance (Note 8)	P 1,392,159	P 1,353,223

13.3 Income Tax Payable

	2017	2016
Income tax payable, beginning	P 111,308	P 500,249
Add: Income tax due for the year	5,227,635	1,361,839
Less: Prior period tax credits	-	-
Less: Payments		
Income tax paid previous year	(563,447)	-
Income tax paid for first 3 quarters	-	-
Less: Creditable withholding tax		
applied in previous year income tax due	(1,353,223)	(1,250,534)
for the first 3 quarters 2017	-	(500,246)
Less: Excess MCIT applied this current year	-	
Income tax payable, ending	P 3,422,273	P 111,308

13.4 Tax Assessments and tax cases

The Company has no deficiency tax assessments or on-going tax cases, protested or not, as of December 31, 2017.

13.5 Uncertain Tax Position

The Company has not identified any significant component of the financial statements that may hold uncertain tax position under the tax laws of the Philippines other than those that have been considered in the Company's income tax calculation.

13.6 Recent tax regulation

The following are the major changes brought by new tax regulations that are relevant to the Company:

- (a) On December 19, 2017, President Rodrigo Duterte signed into law package 1 of the Tax Reform for Acceleration and Inclusion ("TRAIN") bill of or Republic Act No. 10963. The law contains amendments to several provisions of the National Internal Revenue Code of 1997 on individual income taxation, passive income for both individuals and corporations, estate tax, donor's tax, value added tax (VAT), excise tax, and documentary stamp tax ("DST"), among others. The said law shall be in effect starting on January 4, 2018.

- (b) REVENUE REGULATIONS NO. 5-2016 issued on June 1, 2016 amends Revenue Regulations No. 15-2012 by providing additional criteria in the accreditation of printers engaged in printing services of official receipts, sales invoices and other commercial receipts and/or invoices.
- (c) REVENUE REGULATIONS NO. 10-2016 issued on December 27, 2016 amends Section 10.C. of Revenue Regulations (RR) No. 17-2011, which implements the early withdrawal penalty of Republic Act (RA) No. 9505, otherwise known as the "Personal Equity and Retirement Account (PERA) Act of 2008."
- (d) REVENUE REGULATIONS NO. 9-2016 issued on December 8, 2016 amends Section 4 of Revenue Regulations No. 6-2014 relative to the coverage of taxpayers who are mandated to file tax returns through the Electronic Bureau of Internal Revenue Forms (eBIRForms).

Note 14 – LOSS PER SHARE

Loss per share were computed as follows:

	2017	2016	2015
Net Loss	(P 5,491,197)	(P 2,536,274)	(P 1,019,074)
Divided by Weighted average number of shares outstanding	<u>1,998,553,181</u> (P 0.00)	<u>1,998,553,181</u> (P 0.00)	<u>1,998,553,181</u> (P 0.00)

Note 15 - EQUITY

Share Capital

	2017	2016
Authorized capital stock	<u>2,000,000,000</u>	<u>2,000,000,000</u>
Issued and subscribed capital stock	1,998,553,181	1,998,553,181
Less: subscription receivable	-	-
Issued and subscribed capital stock	<u>1,998,553,181</u>	<u>1,998,553,181</u>
Add: shares issued through conversion	-	-
	<u>1,998,553,181</u>	<u>1,998,553,181</u>
Par value	1	1
	<u>P 1,998,553,181</u>	<u>P 1,998,553,181</u>

Proposed increase in authorized capital stock

The Company plans to increase its authorized capital stock to 3,000,000,000 shares at P1.00 per share, from 2,000,000,000 shares at P1.00 per share.

FEMI agrees to subscribed to 25% of the plan increased in capitalization, or 250,000,000 shares at P1.00 per share, through the conversion into equity of portion of its advances to the Company. As of December 31, 2017, FEMI's advances to the Company amounted to P807.3Million. (See Note 2)

Additional Paid-in Capital

In 1996, the Board of Directors and Stockholders approved (i) the increase in authorized capital stock (Class A and B) from P300 million, divided into 30 billion shares at P0.01 par value per share to P2 billion, divided into 2 billion shares at P1.00 par value; and (ii) the declassification of Class A and B common shares to a single common share. Fil-Estate Management, Inc. (FEMI) subscribed to 700 million shares in exchange for the assignment of its interests in the MRTHI and Metro Rail Transit Corp., Limited (MRTCL) with an aggregate carrying value of P1.3 billion.

On January 22, 1998, the Securities and Exchange Commission (SEC) approved the change in par value from P0.01 per share and the declassification of Class A and B common shares to a single class of common shares. On December 11, 2000, the SEC approved the Company's application for the increase in authorized capital stock from 300 million shares to 2 billion shares at P1.00 par value. Accordingly, the equity contribution of FEMI of P1.3 million as mentioned above was presented as part of "Capital stock" and "Additional paid-in capital" for the excess in par value.

Conversion of Advances to Equity

On December 16, 2013, the Securities and Exchange Commission (SEC) approved the Increase in Paid-up capital through conversion of advances amounting to P800M.

On September 4, 2014, the Securities and Exchange Commission (SEC) approved the Increase in Paid-up capital through conversion of advances amounting to P200.15M.

Track Record of Registration of Securities

<i>Date of SEC Approval</i>	<i>Authorized Shares</i>	<i>Number of Shares Issued</i>	<i>Issue/Offer Price</i>
January 22, 1998	300,000,000	297,948,837	P1.00
1999	-	1,901,163	P1.00
December 11, 2000	1,700,000,000	-	P1.00
2000	-	700,000,000	P1.00
December 16, 2013	-	800,000,000	P1.00
September 4, 2014	-	200,150,000	P1.00
	P2,000,000,000	P1,998,553,181	

- On January 22, 1998, the SEC approved the changed in par value from P0.01 per share to P1.00 per share and the declassification of Class A and B common shares to a single class of common shares.
- On December 11, 2000, the SEC approved the increase in authorized capital stock from P300Million, divided into 30.0 billion shares with a par value P0.01per share, to P2 billion divided into 2.0billion shares with a par value P1.00 per share.
- On December 16, 2013, the SEC approved the conversion of portion of the Company's liabilities to FEMI amounting to P800million into equity shares totaling 800million shares at P1.00 par value.
- On September 4, 2014, the SEC approved the conversion of portion of the Company's liabilities to FEMI amounting to P200.15million into equity shares totaling 200.15million shares at P1.00 par value.

Note 16 – OPERATING SEGMENT

For management purposes, the Company is organized into one main operating segment, which invests in infrastructure-related investments. All of the Company's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment.

Financial information about the Company's business segments are shown below:

	2017	2016	2015
Earnings Information			
Royalty fee	27,843,189	27,064,458	25,017,802
Interest income	3,606	2,515	5,509
Gain on foreign exchange	1,966	926	1,603
Other income	-	-	-
General and administrative expenses	(16,495,752)	(12,566,040)	(11,279,033)
Net income (loss)	(5,491,197)	(2,536,274)	(1,019,074)
Other information			
AFS financial assets	1,495,244,843	1,507,804,046	1,520,968,247
Segment assets	40,993,848	40,469,757	30,758,305
Segment liabilities	446,460,241	441,277,252	430,979,082

The following illustrate the reconciliation of reportable segment assets and liabilities to the Company's corresponding amounts:

	2017	2016	2015
Assets			
Total assets for reportable segments	40,993,848	40,469,757	30,758,305
AFS financial assets	1,495,244,843	1,507,804,046	1,520,968,247
Total assets	<u>1,536,238,691</u>	<u>1,548,273,803</u>	<u>1,551,726,552</u>
Liabilities			
Total liabilities for reportable segments	446,460,241	441,277,252	430,979,082
Due to a stockholder	807,323,416	818,918,431	832,755,969
Due to other related parties	333,468,624	333,468,624	333,468,624
Total liabilities	<u>P 1,587,252,280</u>	<u>P 1,593,664,307</u>	<u>P 1,597,203,675</u>

Note 17 – RELATED PARTY TRANSACTIONS

The Company's major transactions with related parties include those with its Parent company and other related parties are described below.

	Year	Transaction Value For the year ended December 31	Outstanding Balance as of the year ended	Terms	Condition/s
Due from related parties					
MRTHI (Note 6.3)	2017	-	P 2,779,228	Non-interest bearing	Secured
	2016	-	2,779,228		
Monumento Rail (Note 6.2)	2017	-	6,216,406	Non-interest bearing	Secured
	2016	-	6,216,406		
Advances to Subsidiary					
MCHC Royal Holding Corp (Note 9.2)	2017	45,191	45,191	Non-interest bearing	
Due to Stockholder					
Fil-Estate Management, Inc.	2017	P (11,595,015)	P 807,323,416	Non-interest bearing	Secured
	2016		818,918,431	Non-interest bearing	Secured
Due to Other related parties (Note 17.2)					
MRTHI	2017	-	213,740,407	Non-interest bearing	Secured
	2016	-	213,740,407	Non-interest bearing	Secured
MRTHII	2017	-	119,728,217	Non-interest bearing	Secured
	2016	-	119,728,217	Non-interest bearing	Secured
	2017		333,468,624		
	2016		333,468,624		

17.1 Due to Stockholder

Waiver of Interest

Due to a stockholder pertains to advances from FEMI with interest of 4% per annum until 2011. On December 10, 2012, as a form of support to the Company, FEMI waived the 4% interest charged to advances made to the Company starting January 1, 2012.

This liability arose mainly from FEMI's payment of the Company's bank loans including interests and penalties, aggregating P3,000million and the cost of acquisition of shares of minority stockholders of MRTH II amounting to P180.0million. Over the years, the amount of liability was reduced mainly by transferring asset back notes to FEMI aggregating P978million in 2004 and P650million prior to 2004.

As discussed in Notes 2 and 7.1, under the "Letter of Agreement" entered into between the Company and FEMI, the Company has the option to transfer its investments in MRTHI and MRTH II in payment for the outstanding advances.

FEMI made advances to the Company totaling to P8.5M and P11.2M in 2017 and 2016. There are no interest expenses related to these advances.

Non-current classification

As the Company has a standing option to offset the unquoted securities against the advances from FEMI and exercise the option to settle the remaining liability with the delivery of the shares upon expiration of the BLT Agreement in 2025, "Due to a stockholder" was classified as non-current.

Accounting and administrative functions

The accounting and administrative functions of the Company are also being handled by FEMI for no consideration.

Fil-Estate Management, Inc. (FEMI), Parent company, made advances to the Company to cover all the expenses related to the latter's operation.

Conversion of advances to equity

On September 4, 2014, the Securities and Exchange Commission (SEC) approved the Increase in Paid-up capital through conversion of advances amounting to P200.15M.

Roll-forward analysis:

	<u>2017</u>	<u>2016</u>
Balance at the beginning of the year	P 818,918,431	P 832,755,969
Cash advances	50,000	-
Expenses paid in advance	8,583,474	11,243,652
Cash Payment	(20,228,489)	(25,081,190)
Balance at the end of the year	<u>P 807,323,416</u>	<u>P 818,918,431</u>

17.2 Due to Other Related Parties

Due to related parties pertain to advances received from MRTHI and MRTH II in prior years to be applied against future dividends to be declared by MRTHI and MRTH II. The advances had not been discounted as there is no reliable basis of estimating the cash flow. As at December 31, 2017 and 2016, the outstanding due to related parties are as follows:

	<u>2017</u>	<u>2016</u>
MRTHI	P 213,740,407	P 213,740,407
MRTHII	119,728,217	119,728,217
	<u>P 333,468,624</u>	<u>P 333,468,624</u>

Note 18 – CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Company manages its paid-up capital, additional paid-in capital, deficit and due to related parties as capital.

The Company monitors capital on the basis of the carrying amount of equity as presented on the face of the statements of financial position.

	2017	2016
Total Liabilities	P 1,590,674,553	P 1,593,775,614
Total Equity	(45,899,956)	(39,444,574)
Debt-to-equity ratio	-34.66:1	-40.41:1

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may pay off its debt, issue new shares or sell assets to reduce debt.

The Company obtains its financial support from its parent company as and when it is needed. In addition, the Company has a planned increase in its authorized capital stock. (See Note 15)

Note 19 – RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's risk management is coordinated with the Board of Directors, and focuses on actively securing the Company's short-to-medium term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's business activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

19.1 Liquidity risk

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Company's inability to meet its obligations when they come due without recurring unacceptable losses or costs.

In the management of liquidity, the Company monitors and maintains a level of cash deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuation in cash flows.

The Company continues to obtain support from FEMI to finance the Company's operations. (See Note 2.1)

Contractual maturities	less than				more than		
2017	1 year	1-3 years	3-5 years	5 years	Total		
Accrued Expenses	P 62,890,360	P -	P -	P -	P 62,890,360		
Other payables	386,467,209	-	-	-	386,467,209		
Due to a stockholder	-	-	-	807,323,416	807,323,416		
Due to related parties	-	-	-	333,468,624	333,468,624		
	P 449,357,569	P -	P -	P 1,140,792,040	P 1,590,149,608		

Contractual maturities 2016	less than		more than		Total
	1 year	1-3 years	3-5 years	5 years	
Accrued Expenses	P 59,375,284	P -	P -	P -	59,375,284
Other payables	378,628,398	-	-	-	378,628,398
Due to a stockholder	-	-	-	818,918,431	818,918,431
Due to related parties	-	-	-	333,468,624	333,468,624
	P 438,003,681	P -	P -	P 1,152,387,055	P 1,590,390,736

Note: Financial Liabilities do not include Payable to BIR.

19.2 Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statement of financial position (or in the detailed analysis provided in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The Company's other receivables are actively monitored to avoid significant concentrations of credit risk and are all currently demandable. As at reporting date, the Company's Receivables are all current.

2017

	Neither past due nor impaired						Total
				Past due or Individually			
	High grade	Medium grade	Low grade	Impaired			
Cash	P 871,601	P -	P -	P -	P -	P -	871,601
Receivables	38,644,043	-	-	-	-	-	38,644,043
Total	P 39,515,644	-	P -	P -	P -	P -	39,515,644

2016

	Neither past due nor impaired						Total
				Past due or Individually			
	High grade	Medium grade	Low grade	Impaired			
Cash	P 931,146	P -	P -	P -	-	P -	931,146
Receivables	37,959,604	-	-	-	-	-	37,959,604
Total	P 38,890,750	-	P -	P -	-	P -	38,890,750

Note 20 – FAIR VALUE MEASUREMENT

20.1 Fair value measurement

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In determining the fair value of its financial assets and liabilities, the Company takes into account its current circumstances and the costs that would be incurred to exchange or settle the underlying financial assets and liabilities:

	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	P 871,601	P 871,601	P 931,146	P 931,146
Receivables	38,644,043	38,644,043	37,959,604	39,087,529
Available-for-sale securities	1,495,244,843	1,495,244,843	1,507,804,046	1,507,804,046
Total financial assets	P 1,534,760,487	P 1,534,760,487	P 1,546,694,796	P 1,547,822,721
Other current liabilities	P 449,357,569	P 449,357,569	P 438,003,681	P 438,003,681
Due to related parties	1,140,792,040	1,140,792,040	1,152,387,055	1,152,387,055
Total financial liabilities	P 1,590,149,609	P 1,590,149,609	P 1,590,390,736	P 1,590,390,736

The carrying amounts approximate their fair values due to relatively short-term maturity of these financial instruments. Similarly, the historical cost carrying amounts of receivables and payables approximate their fair values.

Fair value hierarchy

The different levels of financial instruments carried at fair value, by valuation method have been defined as follows:

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

As of December 31, 2017 and 2016, the Company's Available-for-sale financial assets amounts to P1,495,244,843 and P 1,507,804,044, respectively.

Note 21 - EVENTS AFTER REPORTING DATE

There were no material events that occurred subsequent to December 31, 2017 that were not reflected in the financial statements for the period.

Note 22 - COMMITMENTS AND CONTINGENCIES

22.1 Agreement with Arch Advisory Limited

The Company has engaged Arch Advisory Limited as its financial supervisor in connection with structuring the terms and conditions of a new financing for the MRT3 rail line that will be offered to potential investors. The monthly retainer fee will be US\$15K and reimbursement of all reasonable out-of-pocket expenses receipted to the Company's standards.

In 2017, the Company paid P3,250,000 for the year while in 2016, the Company recognized retainer fee for the year amounting to P5,964,423. (See Note 12)

22.2 Others

As of December 31, 2017, there are no pending claims and legal actions against or involving the Company other than those arising from the normal course of business.

Note 23 – NOTES TO STATEMENT OF CASH FLOWS

The most significant cash flow activity from the statement of cash flows is from financing activity:

During the year ended December 31, 2017 the Company paid in cash advances from FEMI amounting P20,228,489 (*see Note 17.1*).

KL Siy & Associates

Assurance Consultancy Taxation Services

PRACTITIONER'S COMPILATION REPORT

To the Management of
METRO GLOBAL HOLDINGS CORPORATION
Mezzanine Floor, Renaissance Tower,
Meralco Avenue, Pasig City

We have compiled the accompanying financial statements of **METRO GLOBAL HOLDINGS CORPORATION** based on information you have provided. These financial statements comprise the statement of financial position of **METRO GLOBAL HOLDINGS CORPORATION** as at December 31, 2017, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

We performed this compilation engagement in accordance with Philippine Standard on Related Services 4410 (Revised), *Compilation Engagements*.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with Philippine Financial Reporting Standards (PFRS). We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with PFRS.

KL SIY & ASSOCIATES

BOA Accreditation No. 0668
Effective until December 31, 2018
SEC Accreditation No. 0348-F
Effective until September 6, 2020
TIN No. 215-665-658-000
BIR Accreditation No. 07-001450-002-2017
Effective until November 20, 2020
IC Accreditation No. F-2016-003-R
Effective until January 17, 2020
Bangko Sentral ng Pilipinas (BSP) Accredited
Effective until November 6, 2019

By: 
KATHLEEN L. SIY

Managing Partner
CPA Registration No. 45337
BOA Accreditation No. 0668
Effective until December 31, 2018
SEC Accreditation No. 1659-A
Effective until September 6, 2020
BIR Accreditation No. 07-001245-001-2017
Effective until March 24, 2020
IC Accreditation No. SP-2016-009-R
Effective until January 17, 2020
Bangko Sentral ng Pilipinas (BSP) Accredited
Effective until November 6, 2019
TIN No. 303-141-768-000
PTR No. 3865384
Issued on January 6, 2018, Pasig City

April 12, 2018
Pasig City

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

The Board of Directors
METRO GLOBAL HOLDINGS CORPORATION
Mezzanine Floor, Renaissance Tower
Meralco Avenue, Pasig City

We have audited the financial statements of Metro Global Holdings Corporation (the Company) for the year ended December 31, 2017 and 2016, on which we have rendered our report dated April 12, 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 (see table of contents) of the Company as of December 31, 2017 and 2016 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

SEC Accreditation No. A-142-F, Group A

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

BIR Accreditation No. 08-002126-000-2017

Issued on December 13, 2017, Valid until December 12, 2020

By:



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 07, 2017, Valid until April 30, 2018

BIR Accreditation No. 08-002126-005-2017

Issued on December 13, 2017, Valid until December 12, 2020

Makati City, Philippines
April 12, 2018

SCHEDULE I

METRO GLOBAL HOLDINGS, CORP. PFRS STANDARDS AND INTERPRETATIONS APPLIED SRC RULE 68.1 AS AMENDED (2011) FOR THE YEAR ENDED DECEMBER 31, 2017

Below are all the standards and interpretation s existing in the Philippines and an indication of whether it is "Adopted", "Not Adopted", and "Not Applicable".

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		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)	<i>First-time Adoption of Philippine Financial Reporting Standards</i>			√
	<i>Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>			√
	<i>Amendments to PFRS 1: Additional Exemptions for First-time Adopters</i>			√
	<i>Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters</i>			√
	<i>Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters</i>			√
	<i>Amendments to PFRS 1: Government Loans</i>			√
	<i>Amendments to PFRS 1: Borrowing Costs</i>			√
PFRS 2	<i>Share-based Payment</i>			√
	<i>Amendments to PFRS 2: Vesting Conditions and Cancellations</i>			√
	<i>Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions</i>			√
	<i>Amendments to PFRS 2: Definition of Vesting Condition</i>			√
PFRS 3 (Revised)	<i>Business Combinations</i>			√
	<i>Amendments to PFRS 3: Measurement of non-controlling interests, replaced share-based payment awards, transitional arrangements for contingent consideration</i>			√
	<i>Amendments to PFRS 3: Accounting for contingent consideration in a business combination</i>			√
	<i>Amendments to PFRS 3: Scope of exception for joint ventures</i>			√

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			√
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			√
	Amendments to PFRS 5: Sale of a controlling interest in the subsidiary			√
	Amendments to PFRS 5: <i>Consequential amendments from IFRIC 17 Distributions of Non-cash Assets to Owners (assets held for distribution to owners)</i>			√
	Amendments to PFRS 5: Disclosure requirements in other standards			√
	Amendments to PFRS 5: <i>Changes in methods of disposal*</i>			√
PFRS 6	Exploration for and Evaluation of Mineral Resources			√
PFRS 7	Financial Instruments: Disclosures	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	√		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	√		
	Amendments by Improvements to PFRS: Clarification of disclosures	√		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			√
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	√		
	Amendments to PFRS 7 and PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*		√	
	Amendments to PAS 39, PFRS 9 and PFRS 7: Introduction of the Hedge Accounting chapter in PFRS 9*		√	
	Amendments to PFRS 7: Servicing Contracts and applicability of the amendments to Condensed Interim Financial Statements*			√
PFRS 8	Operating Segments			√
	Amendments to PFRS 8: Disclosure of information about Segment Assets			√
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliations of Assets			√

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 9	Financial Instruments: Complete and Final Version*	√		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	√		
PFRS 10	Consolidated Financial Statements			√
	Amendments to PFRS 10, : <i>Transition Guidance</i>			√
	Amendments to PFRS 10 : <i>Investment Entities</i>			√
	Amendments to PFRS 10 : <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*</i>			√
	Amendments to PFRS 10: <i>Regarding the application of the consolidation exception*</i>			√
PFRS 11	Joint Arrangements			√
	Amendments to PFRS 11 : <i>Transition Guidance</i>			√
	Amendments to PFRS 11: <i>Accounting for Acquisitions of Interests in Joint Operations*</i>			√
PFRS 12	Disclosure of Interests in Other Entities	√		
	Amendments to PFRS 12 : <i>Transition Guidance</i>			√
	Amendments to PFRS 12 : <i>Investment Entities</i>			√
	Amendments to PFRS 10: <i>Regarding the application of the consolidation exception*</i>			√
PFRS 13	Fair Value Measurement	√		
	Amendment to PFRS 13: <i>Short-term Receivables and Payables*</i>	√		
	Amendments to PFRS 13: <i>Scope of Portfolio Exception</i>			√
PFRS 14	Regulatory Deferral Accounts*			√
PFRS 15	Revenue from Contracts with Customers*			√
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	√		
	Amendments to PAS 1: <i>Puttable Financial Instruments and Obligations Arising on Liquidation</i>			√
	Amendments to PAS 1: <i>Current/Non-current Classification of Derivatives</i>			√
	Amendments to PAS 1: <i>Current/Non-current Classification of Convertible Instruments</i>			√
	Amendments to PAS 1: <i>Clarification of Statement of Changes in Equity</i>			√

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 1: <i>Presentation of Items of Other Comprehensive Income</i>	√		
	Amendments to PAS 1: <i>Clarification of the requirements for comparative information</i>	√		
	Amended by Disclosure Initiative*	√		
PAS 2	Inventories			√
PAS 7	Statement of Cash Flows	√		
	Amendments to PAS 7: <i>Expenditures that do not result in a recognised asset.</i>	√		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	√		
PAS 10	Events after the Reporting Period	√		
PAS 11	Construction Contracts			√
PAS 12	Income Taxes	√		
	Amendment to PAS 12: <i>Deferred Tax: Recovery of Underlying Assets</i>	√		
PAS 16	Property, Plant and Equipment			√
	Amendment to PAS 16 – <i>Classification of Service Equipment</i>			√
	Amendment to PAS 16: <i>Revaluation method - proportionate restatement of accumulated depreciation</i>			√
	Amendments to PAS 16 : <i>Clarification of Acceptable Methods of Depreciation and Amortisation*</i>			√
	Amendments to PAS 16 : <i>Agriculture- Bearer Plants*</i>			√
PAS 17 (Revised 2003)	Leases			√
PAS 18	Revenue	√		
PAS 19 (Amended 2011)	Employee Benefits	√		
	Amendments to PAS 19: <i>Employee Benefits - Defined Benefit Plans: Employee Contributions</i>	√		
	Amendments to PAS 19: <i>Discount rate- Regional Market Issue*</i>			√
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			√
PAS 21	The Effects of Changes in Foreign Exchange Rates	√		
	Amendment: <i>Net Investment in a Foreign Operation</i>			√
PAS 23 (Revised)	Borrowing Costs			√
PAS 24 (Revised)	Related Party Disclosures	√		
	Amendments to PAS 24: <i>Key Management Personnel</i>	√		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 26	Accounting and Reporting by Retirement Benefit Plans			√
PAS 27 (Amended 2011)	Separate Financial Statements			√
	Amendments to PFRS 10, PFRS 12 and PAS 27 : <i>Investment Entities</i>			√
	Amendments to PAS 27 : <i>Equity Method in Separate Financial Statements*</i>			√
PAS 28 (Amended)	Investments in Associates and Joint Ventures	√		
	Amendments to PAS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*</i>			√
	Amendments to PFRS 10: <i>Regarding the application of the consolidation exception *</i>			√
PAS 29	Financial Reporting in Hyperinflationary Economies			√
PAS 31	Interests in Joint Ventures			√
PAS 32	Financial Instruments: <i>Disclosure and Presentation</i>	√		
	Amendments to PAS 32 : <i>Puttable Financial Instruments and Obligations Arising on Liquidation</i>			√
	Amendment to PAS 32: <i>Classification of Rights Issues</i>			√
	Amendment to PAS 32: <i>Tax Effects of Distribution to Holders of Equity Instruments</i>	√		
	Amendments to PAS 32: <i>Offsetting Financial Assets and Financial Liabilities</i>		√	
PAS 33	Earnings per Share	√		
PAS 34	Interim Financial Reporting	√		
	Amendment to PAS 34: <i>Significant Transactions and Events</i>	√		
	Amendment to PAS 34: <i>Interim Financial Reporting and Segment Information for Total Assets and Liabilities</i>	√		
	Amendment to PAS 34: <i>Disclosure of information 'elsewhere in the interim financial report'*</i>	√		
PAS 36	Impairment of Assets	√		
	Amendment to PAS 36: <i>Disclosure of estimates used to determine a recoverable amount</i>	√		
	Amendment to PAS 34: <i>Units of accounting for goodwill impairment testing using segments under PFRS 8 before aggregation</i>			√
	Amendments to PAS 36: <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	√		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	√		
PAS 38	Intangible Assets			√
	Amendments to PAS 38: Advertising and promotional activities, units of production method of amortisation			√
	Amendments to PAS 38: Measurement of intangible assets in business combinations			√
	Amendments to PAS 38: Proportionate restatement of accumulated depreciation under the revaluation method			√
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation*			√
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			√
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			√
PAS 40	Investment Property			√
	Amendment to PAS 40: Property under construction or development for future use as investment property			√
	Amendment to PAS 40: Interrelationship of PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property			√
PAS 41	Agriculture			√
	Amendment to PAS 41: Discount rate for fair value calculations and Additional biological transformation			√
	Amendments to PAS 16 and PAS 41: Agriculture-Bearer Plants*			√

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	Determining Whether an Arrangement Contains a Lease			√
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			√
IFRIC 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment			√
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			√
IFRIC 8	Scope of PFRS 2			√
IFRIC 9	Reassessment of Embedded Derivatives			√
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			√
	Amendments to Philippine Interpretation IFRIC 9 and Revised IFRS 3: Scope of IFRIC 9 and revised IFRS 3			√
IFRIC 10	Interim Financial Reporting and Impairment			√
IFRIC 11	PFRS 2 – Group and Treasury Share Transactions			√
IFRIC 12	Service Concession Arrangements			√
IFRIC 13	Customer Loyalty Programmes (Will be superseded by IFRS 15 as of 1 January 2018)			√
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 15	Agreements for the Construction of Real Estate (Will be superseded by IFRS 15 as of 1 January 2018)			√
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 (Will be superseded by IFRS 15 as of 1 January 2018)			√
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			√
IFRIC 21	Levies			√

SIC-7	Introduction of the Euro			√
SIC-10	Government Assistance - No Specific Relation to Operating Activities			√
SIC-15	Operating Leases - Incentives <i>(Will be superseded by IFRS 16 as of 1 January 2019)</i>			√
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 <i>(Will be superseded by IFRS 16 as of 1 January 2019)</i>			√
SIC-29	Service Concession Arrangements: Disclosures.			√
SIC-31	Revenue – Barter Transactions Involving Advertising Services <i>(Will be superseded by IFRS 15 as of 1 January 2018)</i>			√
SIC-32	Intangible Assets - Web Site Costs			√

* Not early
adopted

SCHEDULE II

**RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION**

As of December 31, 2017

METRO GLOBAL HOLDINGS CORPORATION

Mezzanine Floor, Renaissance Tower

Meralco Avenue, Pasig City

The Company has no unrestricted retained earnings and has continuously recognized deficit.

SCHEDULE III

METRO GLOBAL HOLDINGS CORP. FINANCIAL SOUNDNESS INDICATORS SRC RULE 68.1, AS AMENDED (2011) FOR THE YEAR ENDED DECEMBER 31, 2017

Financial Soundness Indicators are used to monitor the soundness of a financial system and assess systemic risk. It responds to the need for better tools to assess the strengths and vulnerabilities of the financial system.

Below is the schedule showing financial soundness indicators for the years ended December 31, 2017:

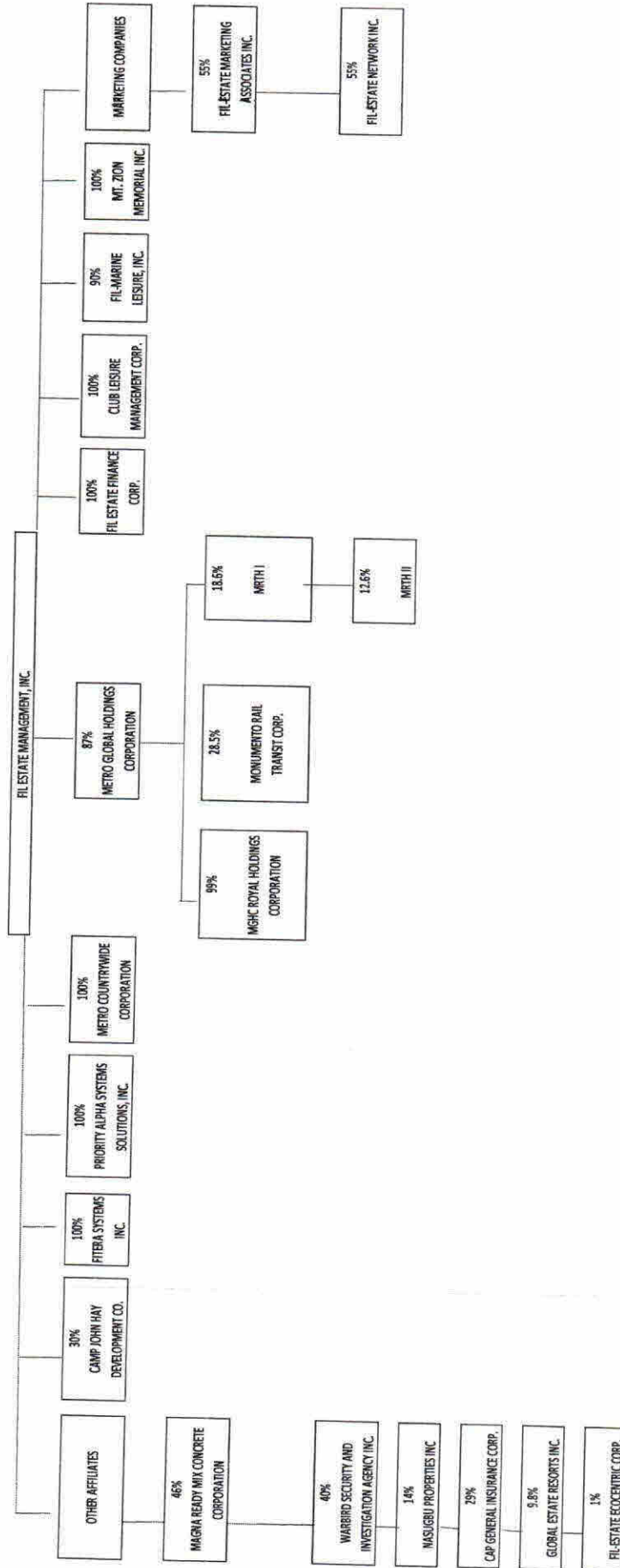
	2017	2016
Current/Liquidity Ratio	0.09:1	0.09:1
Current Assets	40,993,848	40,469,757
Current Liabilities	449,882,513	441,388,559
Liquidity Ratio	0.09:1	0.09:1
Liquid Asset	39,515,644	38,890,750
Current Liabilities	449,882,513	441,388,559
Working Capital to Total Asset	-0.26:1	-0.26:1
Working Capital	(408,888,665)	(400,918,802)
Total Asset	1,544,774,597	1,554,331,040
Solvency Ratio	0:1	0:1
Net Profit(Loss) before deprecia	(5,491,197)	(2,536,274)
Total Liabilities	1,590,674,553	1,593,775,614
Debt-to-Equity Ratio	-34.66:1	-40.41:1
Total Liabilities	1,590,674,553	1,593,775,614
Total Equity	(45,899,956)	(39,444,574)
Asset-to-Equity Ratio	-33.66:1	-39.41:1
Total Assets	1,544,774,597	1,554,331,040
Total Equity	(45,899,956)	(39,444,574)
Profitability Ratio		
Profitability Ratio	0.12:1	0.06:1
Net Income/Loss	(5,491,197)	(2,536,274)
Total Equity	(45,899,956)	(39,444,574)
Return on Asset (ROA)	0:1	0:1
Net Income/Loss	(5,491,197)	(2,536,274)
Average Asset	1,549,552,819	1,557,226,665
Return on Equity (ROE)	0.13:1	0.07:1
Net Income/Loss	(5,491,197)	(2,536,274)
Average Equity	(42,672,265)	(38,513,104)

The key indicators were chosen to provide management with a measure of the Company's financial Strength (*Current Ratio, Solvency Ratio, and Debt to Equity*) and the Company's ability to maximize the value of its investment in the Company (*Profitability Ratio*). Likewise, the ratios are used to compare the Company's performance with similar companies.

SCHEDULE IV

METRO GLOBAL HOLDINGS CORPORATION RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT, MIDDLE PARENT, SUBSIDIARIES OR CO-SUBSIDIARIES AND ASSOCIATES

As of December 31, 2017



SCHEDULE V

METRO GLOBAL HOLDINGS CORPORATION SUPPLEMENTARY SCHEDULES REQUIRED BY SRC RULE 68 (ANNEX 68 – E) As of December 31, 2017

Schedule A Financial Assets

The Company's Financial Assets as of December 31, 2017 are as follows:

Cash	P	871,601
Receivables		38,644,043
Available-for-sale financial assets		1,495,244,843
	P	<u>1,534,760,487</u>

Schedule B Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Shareholders (Other than Related Parties)

	Relationship	Beginning Balance	Ending Balance
MRTIII	Affiliate	P 2,779,228	P 2,779,228
Monumento Rail	Affiliate	6,216,406	6,216,406
MGHC Royal Holdings Corp.	Affiliate	-	45,191
		P 8,995,634	P 9,040,825

Schedule C Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

Note applicable. The Company does not prepare consolidated financial statements. (Note 3.2)

Schedule D Intangible Assets – Other Assets

Not applicable. The Company does not have any intangible asset.

Schedule E Long-term Debt

Not applicable.

Schedule F Indebtedness to Related Parties

	Relationship	Beginning Balance	Ending Balance
Fil-Estate	Stockholder	P 818,918,431	P 807,323,416
MRTHI	Affiliate	213,740,407	213,740,407
MRTIII	Affiliate	119,728,217	119,728,217
		P 1,152,387,055	P 1,140,792,040

Schedule G Guarantees of Securities of Other Issuers

Not applicable.

Schedule H Capital Stock

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by Directors, officers and employees	Number of shares held by others
Common shares	2,000,000,000	1,995,389,897	-	1,759,750,196	3,410,014	232,229,687