MABUHAY
HOLDINGS CORPORATION

April 16, 2018

THE PHILIPPINE STOCK EXCHANGE, INC.
4/F Philippine Stock Exchange Center
Exchange Road, Ortigas Center, Pasig City

Attention: **MR. JOSE VALERIANO B. ZUÑO III**
Head, Disclosure Department

Subject: **MABUHAY HOLDINGS CORPORATION**
Annual Report ending December 31, 2017

Gentlemen:

We submit herewith a copy of the Annual Report for the year ended December 31, 2017 (SEC Form 17-A) of MABUHAY HOLDINGS CORPORATION with the attached Audited Consolidated Financial Statements for the years ended December 31, 2017 and 2016.

Very truly yours,

Gloria Georgia G. Garcia
Treasurer and Corporate Compliance Officer

35/F Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, Philippines
Tel. (632) 7502000 Fax (632) 7510773

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the Year Ended **DECEMBER 31, 2017**
2. SEC Identification Number: **150014**
3. BIR Tax Identification Number: **050-000-473-206**
4. Exact Name of Registrant: **MABUHAY HOLDINGS CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**
6. Industry Classification Code: __**HO**__
7. Address of Principal Office: **35/F, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, 1223**
8. Registrant's Telephone Number, Including Area Code: **(632) 750-2000**
9. Former Name, former address, former fiscal year, if changed from last report: **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA

    Common stock **1,200,000,000 shares**

11. Are any or all of these securities listed on a Stock Exchange.

    Yes [✓] No [ ]

    Philippine Stock Exchange **Common shares of stock**

12. Check whether the Registrant:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a), thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months

    Yes [✓] 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 of the registrant

Total number of subscribed shares	1,200,000,000
Less: Shares held by affiliates	769,821,804
Shares held by non-affiliates	430,178,196
Market price as of December 31, 2017	0.315
Aggregate market value of voting stock held by non-affiliates	**P135,506,132**

Year 2017 Form 17-A

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1 – Business

Mabuhay Holdings Corporation (hereafter referred to as "Registrant" or "MHC" or "Company") was incorporated on April 06, 1988. It is a holding company principally engaged in the acquisition and disposition of investments in securities, stocks, real and personal properties, and of any kind of properties and of investments in other entities.

It was incorporated with an authorized capital of 200 million shares at a par value of P1 per share. It was listed at both the Makati and Manila stock exchanges in 1990. The Articles of Incorporation were amended in 1994 to increase authorized capital to 4 billion shares at P1 par value per share. Currently, capital stock issued and subscribed total 1.2 billion shares, of which around P975.5 million have been paid out of the P1.2 billion subscriptions. MHC shares are now traded in the Philippine Stock Exchange.

The registrant currently holds office at 35/F, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, 1223. Its last annual stockholders' meeting was on July 27, 2017.

As of December 31, 2017, the Registrant holds directly or indirectly substantial investments in several other corporations. Three of these are wholly owned subsidiaries while the rest are investees in which MHC has sizeable claims and interests. For the past five years, operating activities of the Group have been kept to the minimum except for its large associate, IRC Properties, Inc. (IRC). The company has three ongoing residential subdivision projects, namely 1) Sunshine Fiesta Subdivision, 2) Fiesta Casitas Subdivision, and 3) Casas Aurora. The mid-rise condominium project is put on hold while funding is finalized.

Sunshine Fiesta Subdivision is a joint venture development project between the Company and Dreamhauz Management & Development Corporation, with the latter responsible for the land development and house construction.

Fiesta Casitas Subdivision is also a residential subdivision located in the same area where Sunshine Fiesta is situated. This project is a joint development agreement with Dell Equipment & Construction Corporation, who is responsible for the land development and house construction. It has 1,015 house and lot units, with 123 units assigned to the Company.

Casas Aurora is a residential project located within the 30-hectare Sunshine Fiesta Project and is considered Phase III, after Sunshine Fiesta and Fiesta Casitas. This is the first project of the company that it is implementing on its own. It has contracted Dell Equipment & Construction Corporation to do the land development, which includes road construction, drainage, utilities and amenities. For the house construction, it has contracted VG Pineda Construction Corporation.

IRC Properties, Inc. has completed negotiations with a key real estate industry player to develop a huge portion of its Binangonan property thru purchase, into a mixed-use township project. Once started, the project will take about seven years to finish as it involves three phases.

These projects of IRC are expected to generate significant amount of sustainable income stream and operating cash flows to the Group.

A. SUBSIDIARIES AND AFFILIATES

Major investees of the Registrant are the following:

1. T & M Holdings, Inc. (100%-owned by the Registrant)

T & M Holdings, Inc. (T&MHI) which was registered with the Commission on November 10, 1995, is a holding company engaged in investments in real properties, marketable securities and stocks of other companies, domestic or foreign. As of December 31, 2017, it has a 24.34% stake in IRC Properties, Inc. (formerly Interport Resources Corporation).

2. **M & M Holdings Corporation (M&MHC) (100%-owned by the Registrant)**
Like T&MHI, M & M Holdings Corporation which was registered with the SEC on April 21, 1995, is a holding company engaged in the business of acquiring and disposing of interests in real and personal properties of any kind or description, marketable securities and shares of stocks. Currently, M&MHC has no substantial property except for some advances to its parent company, and a minimal amount of cash.

3. **IRC Properties, Inc. (IRC) (29.62%-owned by the Registrant directly and indirectly thru T&M Holdings, Inc.)**
IRC Properties, Inc. (formerly Interport Resources Corporation), a company listed in the Philippine Stock Exchange, was incorporated on February 24, 1975 primarily to engage in the acquisition, reclamation, development or exploitation of land, forests, minerals, oil, gas and other resources. It owns about 2,200-hectare of land in Binangonan, Rizal.

4. **Tagaytay Properties and Holdings Corporation (TPHC) (26.04%-owned by the Registrant)**
A real estate company established and registered with the SEC on April 13, 1998, TPHC owns a high potential and strategically-located land in Tagaytay City. This property was supposed to be developed into a mixed commercial and residential subdivision but such plans were postponed indefinitely as a result of changes in the zoning laws of the city.

5. **The Taal Company, Inc. (TTCI) (29.97%-owned by the Registrant)**
The Taal Company, incorporated on August 29, 1990, is a real estate company with property holdings in several parts of the Batangas province.

6. **The Angeles Corporation (TAC) (38.46%-owned by the Registrant)**
The Angeles Corporation is an investment company incorporated on October 14, 1994. Most of its assets are invested in shares of the Prosperity Taxi Cab Corporation (PTCC), which the Company sold to a third party in 2009.

7. **Mindanao Appreciation Corporation (MAC) (28.5%-owned by the Registrant)**
Mindanao Appreciation Corporation is an investment Company, incorporated and registered with the SEC on November 21, 1991. Most of its assets are invested in shares of Mabuhay Holdings Corporation and The Taal Company, Inc.

B. FOREIGN SALES.
Not applicable to the Registrant.

C. COMPETITIVE BUSINESS CONDITION/COMPETITIVE POSITION IN THE INDUSTRY.
The competitiveness of the Registrant, given the nature of its business, is defined by the diversity of its interests. Most of the Registrant's business interests are concentrated in the real estate property business. The Tagaytay Properties & Holdings Corporation, The Taal Co., Inc., and IRC Properties, Inc. each hold an inventory of real properties in strategic locations like Tagaytay City, Batangas, Cavite, and Binangonan. The aggregate landholdings of the Registrant's investees easily run to 2,219 hectares, many of which are in prime locations.

D. DEPENDENCE ON A FEW CUSTOMERS. This disclosure is currently not applicable to the Registrant's business and concerns.

E. TRANSACTIONS WITH AND/OR DEPENDENCE ON RELATED PARTIES. The Registrant's transactions with its subsidiaries and affiliates mainly consist of the granting of advances to /from them. The Registrant exercises control and management over some of its investees.

F. NEED FOR GOVERNMENTAL APPROVAL OF PRODUCTS AND SERVICES. Aside from being regulated by the PSE and the SEC, the Registrant generally is not subject to any other specific government regulation.

G. EFFECT OF EXISTING OR PROBABLE GOVERNMENTAL REGULATIONS TO THE BUSINESS. This disclosure is currently not applicable to the Registrant's business and concerns.

H. ESTIMATE OF AMOUNT SPENT FOR RESEARCH AND DEVELOPMENT ACTIVITIES. This disclosure is currently not applicable to the Registrant's business and concerns.

I. COSTS AND EFFECTS OF COMPLIANCE WITH ENVIRONMENTAL LAWS. This disclosure is currently not applicable to the Registrant's business and concerns.

J. TOTAL NUMBER OF EMPLOYEES AND NUMBER OF FULL TIME EMPLOYEES. As of December 31, 2017, The Registrant has 8 employees, all rendering administrative services. Of the Company's 8 employees, 6 render support services: 2 for accounting/bookkeeping work and 4 doing office services functions while the other 2 belong to the management and administration of the Company. There is no Collective Bargaining Agreement between the employees and the Registrant and there had been no strikes or threats of strike for the past five (5) years. Aside from the statutory benefits prescribed by the labor code, the Registrant's employees enjoy Company-sponsored health insurance.

Item 2 – Properties

All the following properties owned by MHC and its affiliates/subsidiaries are free from lien:

Name of Property	Owner	Area	Location
Landicho Property	The Taal Co., Inc.	39,781 sq. m	Lumang Lipa, M.Kahoy, Batangas
Zara Property	The Taal Co., Inc.	14,022 sq. m	Don Juan, Cuenca, Batangas
Rañola Property	The Taal Co., Inc.	778 sq. m	Tanza, Cavite
Tagaytay Property	Tagaytay Properties and Holdings Corp.	98,760 sq. m	Rotonda, Tagaytay City
Binangonan Property	IRC Properties, Inc.	2,200 has.	Binangonan, Rizal
Carandang	Tagaytay Properties and Holdings Corp.	6,533 sq. m	Ambolong, Batangas
Atienza	Tagaytay Properties and Holdings Corp.	2,636 sq. m	Ambolong, Batangas
Landicho	Tagaytay Properties and Holdings Corp.	15,605 sq. m	M. Kahoy, Batangas
35F Rufino Tower (office condo unit)	Mabuhay Holdings Corp.	886 sq. m*	Ayala Avenue, Makati City

* Half of the 35th Floor is leased out to Smart Communications, Inc. and the other half is being used as The Registrant's office together with its associate, IRC Properties, Inc. Rental revenues from this property amounted to P7.31M in 2017 as reflected in the Consolidated Statements of Total Comprehensive Income, Notes 7 and 16 of the Consolidated Financial Statements as of and for the year ended December 31, 2017, which are an integral part of this report.

The Registrant has no plans to acquire property in the next 12 months.

Item 3 – Legal Proceedings

The Registrant and its consolidated subsidiaries/affiliates are parties to various legal actions or proceedings. However, in the opinion of management, the ultimate liability, if any, resulting from these actions or proceedings, will not have a material effect on the Registrant's consolidated financial position except for the case mentioned in Note 20 of the Audited Financial Statements for which adequate provisions have been made.

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

There were no substantial matters submitted to a vote of the security holders during the 4th quarter of the year 2017. The last meeting of the Registrant's stockholders was the annual stockholders' meeting, which was held on July 27, 2017. In that meeting, the stockholders elected the directors for 2018. Messrs. Steven G. Virata and Rodrigo B. Supeña were the Registrant's independent directors in compliance with SEC Memorandum Circular No. 16, Series of 2002, Section 38 of the Securities Regulation Code and its implementing rules and regulations.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5 – Market for the Registrant's Common Equity and Related Stockholder Matters

The Registrant's shares of common stock are being traded at the Philippine Stock Exchange. Of the authorized capital stock of four billion shares, 1.2 billion have been subscribed. As of December 31, 2017, MHC has received P194.7 million as deposits for future stock subscription. Although these deposits were intended for capital subscription, they were presented as liability in the Statement of Financial Position for the purpose of complying with SEC rule 68-D.

Dividends. No dividend declarations were made during the two recent fiscal years of the Registrant. Aside from the accumulated deficit sustained by the company, there is no restriction that limits the ability to pay dividends on common equity.

Stock Prices. The shares of MHC traded along the following bands during 2017 and 2016:

	2017		**2016**	
	High	**Low**	**High**	**Low**
First Quarter	0.56	0.40	0.55	0.475
Second Quarter	0.455	0.395	0.51	0.45
Third Quarter	0.495	0.40	0.60	0.47
Fourth Quarter	0.41	0.26	0.485	0.45

The listed price of MHC shares as of end of first quarter of 2018 is P0.73, with a high of P0.84 and a low of P0.305.

Recent Sales of Unregistered Securities. No securities of the Registrant have been sold within the past three years which have not been registered under the Securities Regulation Code. Neither is there any claim for exemption from registration made by the Company.

Stockholders.

Stockholders of record as at December 31, 2017 total one hundred ninety nine (199) in number, broken down as follows:

Citizen	No. of Shares	Percentage	No. of Holders
Filipino	885,057,840	73.75%	187
American	908,000	0.08%	7
Chinese	105,050	0.01%	2
Other Alien	313,929,110	26.16%	3
	1,200,000,000	**100.00%**	**199**

Top 20 Stockholders as at December 31, 2017 all holding Common Stock**:**

Rank	Name of Stockholder	No. of Shares Held	Percentage
1	PCD Nominee Corporation (PH)	371,573,988	30.96%
2	Prokey Investments Ltd.	351,289,763	29.27%
3	PCD Nominee Corporation (OA)	313,929,010	26.16%
4	Guoco Securities (Phils.), Inc.	123,192,131	10.27%
5	Papa Securities Corporation	13,550,000	1.13%
6	Mindanao Appreciation Corp.	10,183,000	0.85%
7	Avesco Marketing	1,600,000	0.13%
8	Four Treasures Development Corp.	1,200,000	0.10%
9	Yan, Lucio W.	1,000,000	0.08%
10	Prosperity Taxi Cab Corp.	1,000,000	0.08%
11	International Polymer Corp.	900,000	0.08%
12	Century Sports Phils., Inc.	812,000	0.07%
13	Zosa, Rolando M.	800,000	0.07%
14	Uy, Samson	700,000	0.06%
15	Mendoza, Alberto &/or Jeanie Mendoza	650,000	0.05%
16	Sy, Siliman	546,000	0.05%
17	Sickling II, Herbert William	500,000	0.04%
18	South China Holdings	432,000	0.04%
19	Dyhongpo, Carlos	330,000	0.03%
20	Dyhongpo, Vivian	300,000	0.03%

There had been no sales of unregistered or exempt securities of the Registrant, or issuance of its securities constituting exempt transaction.

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

The following discussion should be read in conjunction with the Consolidated Financial Statements of the Registrant that are incorporated to this Report by reference. Such Consolidated Financial Statements have been prepared in accordance with Philippine Financial Reporting Standards.

The Group's main focus is to support the projects of its large associate, IRC Properties, Inc. (IRC). IRC needs to secure funding of its planned residential development projects in its Binangonan Property. These projects of IRC are expected to generate significant amount of sustainable income stream and operating cash flows to the Group.

The management of the Company has plans to sell some assets and pursue the development of its investment properties as well as the real properties of its subsidiaries and affiliated companies and to enter into joint ventures if opportune.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Management, under the direction of the Board of Directors of the Group is responsible for the management of financial risks. Its objective is to minimize the adverse impacts on the Group's financial performance due to the unpredictability of financial markets.

The Company's equity position is in compliance with the minimum statutory requirements applicable to public companies. Given the very limited operating activities undertaken by the Group, it does not require intensive capitalization. The Group's main objective is to ensure it has adequate capital moving forward to pursue its land disposal plans at optimum gain.

Apart from supporting IRC Properties, Inc.'s projects, the Group does not anticipate heavy requirement for working capital in 2018.

2017

Results of Financial Operations

A comparative review of the Registrant's financial operations for the period ended **December 31, 2017** vis-à-vis the same period last year showed the following:

Total revenues decreased by P46.295M or 67.3% mainly due to net effect of recovery of impairment losses on investment in an associate and reversal of allowance for impairment loss recognized in 2016 vs. none in 2017. Total operating expenses decreased by P0.846M or 4.9% mainly due to decrease in salaries and employee benefits and professional fees. A net finance income of P15.411M resulted in 2017 due to decrease in finance cost by P18.7M, a net foreign exchange gain of P0.89M with a decrease in finance income by P3.25M.

Share in net earnings of IRC Properties, an associate decreased by P14.19M or 67.6% due to a lower gain on fair value change in investment property of the associate.

There is no significant element of income that did not arise from the Registrant's continuing operations. Neither is the Company's operations affected by any seasonality or cyclical trends.

Explanation to Accounts with Material Variance (December 2017 vs. December 2016)

Cash
Decrease of P24.4M or 81.3% mainly due to additional loans extended to IRC and acquisition of additional IRC shares.

Financial assets at fair value through profit or loss
Decrease of P0.286M or 12.6% due to decline in fair value of securities.

Notes and other receivables
Increase of P28.8M or 17.2% mainly due to additional notes and accrued interest receivable from IRC Properties, Inc.

Prepayments
Increase of P1.28M or 92.6% mainly due to prepaid income taxes.

Investment in an associate
Please refer to Note 5 of the Notes to the Consolidated Financial Statements.

Property and equipment, net
Decrease of P1.35M or 50.4% mainly due to depreciation.

Investment properties
Increase of P15.15M or 4.7% due to gain on fair value.

Other non-current assets
Decrease of P.060M or 40.8% mainly due to decrease in fair value of available for sale securities of` Mindanao Appreciation Corporation, a subsidiary.

Borrowings
Decrease of P0.573M or 0.42% due to foreign exchange translation difference.

Accounts payable and other current liabilities
Increase of P7.7M or 21.1% largely due to accrued interest on borrowings.

Deferred income tax liabilities, net
Increase of P4.79M or 5.7% due to unrealized gain on fair value change in investment property.

Key Performance and Financial Soundness Indicators
Definition of Ratios

Net Profit Ratio	-	Consolidated Net Income (Loss) / Total Revenues
Return on Assets	-	Net Income / Total Assets
Return on Equity	-	Net Income / Total Stockholders' Equity
Current Ratio	-	Current Assets / Current Liabilities
Acid Test	-	Cash on hand and in banks + Financial Assets at Fair Value+ Notes and other receivables / Current Liabilities
Debt to Equity	-	Total Liabilities / Total Equity
Debt to Assets	-	Total Liabilities / Total Assets
Asset to Equity	-	Total Assets / Total Equity
Interest Coverage	-	Net Income Before Tax and Interest Expense / Interest Expense
Earnings (Loss) Per Share	-	Net Income Attributable to Equity Holders of Parent Co. / Average number of Outstanding Common Shares

(%)	**Dec. 31, 2017***	**Dec. 31, 2016***	**Dec. 31, 2015***
Net Profit Ratio	104.71	84.83	28.03
Return on Assets	1.40	3.42	1.32
Return on equity	2.03	5.28	2.18
Current ratio	46.95	46.76	66.60
Acid test	46.34	46.44	66.34
Debt to equity	45.63	45.30	63.33
Debt to assets	31.33	31.18	38.78
Asset to equity	145.63	145.30	163.33
Interest coverage	385.45	320.38	222.19
Earnings (loss) per share	0.0200	0.0481	(.00750)

*Audited

2016

Results of Financial Operations

A comparative review of the Registrant's financial operations for the period ended **December 31, 2016** vis-à-vis the same period last year showed the following:

Total revenues decreased by P13.97M or 16.9% mainly due to net effect of recovery of impairment losses on investment in an associate and decrease in Gain on fair value change in investment property. Total operating expenses increased by P0.6M or 3.7% mainly due to increase in salaries and employee benefits and professional fees. Finance cost decreased by P14.7M or 34% due to decrease in loan balances after repayment.

Share in net earnings of IRC Properties, an associate increased by P11.5M or 120.5% due to a higher gain on fair value change in investment property of the associate.

There is no significant element of income that did not arise from the Registrant's continuing operations. Neither is the Company's operations affected by any seasonality or cyclical trends.

Explanation to Accounts with Material Variance (December 2016 vs. December 2015)

Cash
Increase of P18.4M or 157.05% mainly due to collection of receivables.

Financial assets at fair value through profit or loss
Increase of P0.36M or 19.1% due to increase in fair value of securities.

Notes and other receivables
Decrease of P217.6M or 56.5% mainly due to receipt of payments of IRC Properties, Inc.

Prepayments
Decrease of P0.183M or 11.7% mainly due to application of prepaid taxes to income tax payable.

Investment in an associate
Please refer to Note 5 of the Notes to the Consolidated Financial Statements.

Property and equipment, net
Decrease of P1.6M or 37.5% mainly due to depreciation.

Investment properties
Increase of P17.6M or 5.8% due to gain on fair value.

Other non-current assets
Decrease of P.60M or 80.4% mainly due to adjustment on deferred tax asset of Mindanao Appreciation Corporation, a subsidiary.

Borrowings
Decrease of P160.98M or 54.3% due to payments made.

Accounts payable and other current liabilities
Decrease of P15.5M or 29.6% largely due to payment of accrued interest and foreign exchange adjustments.

Deferred income tax liabilities, net
Increase of P3.1M or 3.8% due to unrealized gain on fair value change in investment property.

2015

Results of Financial Operations

A comparative review of the Registrant's financial operations for the year ended **December 31, 2015** vis-à-vis the same period of the previous year showed the following:

Total revenues decreased by P4.0M or 4.6% mainly due to decrease in Gain on fair value change in investment property and Gain on disposal of assets offsetted by increase in Rental income. Total operating expenses increased by P1.4M or 9.2% mainly due to Loss on disposal of assets. Finance cost increased by P19.3M or 554.7% due to increase in foreign exchange loss.

Share in net earnings of IRC Properties, an associate decreased by P7.9M or 45.3% due to a lower gain on fair value change in investment property of the associate.

There is no significant element of income that did not arise from the Registrant's continuing operations. Neither is the Company's operations affected by any seasonality or cyclical trends.

Explanation to Accounts with Material Variance (December 2015 vs. December 2014)

Cash
Decrease of P3.8M or 24.4% mainly due to payment of loans.

Financial assets at fair value through profit or loss
Decrease of P.19M or 8.9% due to decrease in fair value of securities.

Notes and other receivables
Decrease of P55.7M or 12.6% mainly due to receipt of interest payments of IRC Properties, Inc.

Prepayments
Decrease of P.17M or 9.8% mainly due to application of prepaid taxes to income tax payable.

Investment in an associate
Please refer to Note 7 of the Notes to the Consolidated Financial Statements.

Property and equipment, net
Decrease of P1.69M or 21% mainly due to depreciation.

Investment properties
Increase of P71.4M or 30.8% due to gain on fair value.

Other non-current assets
Increase of P.6M or 373% mainly due to the recognition of Deferred tax asset in Mindanao Appreciation Corporation, a subsidiary.

Borrowings
Decrease of P25.8M or 8.0% due to payment.

Accounts payable and other liabilities
Decrease of P6.8M or 11.6% largely due to payment of accrued interest and foreign exchange adjustments.

Deferred income tax liabilities, net
Increase of P28.8M or 54.8% due to unrealized gain on fair value change in investment property.

Item 7 – Financial Statements

The audited consolidated financial statements of the Registrant as of and for the year ended December 31, 2017, as listed in the accompanying Index to Financial Statements and Supplementary Schedules, are filed as part of this Form 17-A.

The financial statements attached to the report include the audited statements of financial position, statements of total comprehensive income, statements of changes in equity, statements of cash flows and the notes to the financial statements. Such reports form part of our attachment to our SEC Annual Report Form 17-A.

Item 8 – Independent Public Accountants

(a) Audit and Audit-Related Fees

There were no disagreements with the auditors with respect to accounting principles and practices, financial disclosures, or auditing scope or procedures.

As in previous years, representatives of the Registrant's auditors are expected to be present at this year's annual stockholders' meeting, available to respond to questions that may be asked by the stockholders. The said auditors will have the opportunity to make a statement if they desire to do so.

The external auditors charged the Company and its subsidiaries an aggregate amount of P1.08M for the last two (2) calendar years ending December 31, 2017 and 2016.

(b) Tax Fees

There were routinary professional services rendered by the external auditors for tax accounting, compliance, advice, planning and any other form of tax services in each of the last two (2) calendar years ending December 31, 2017 and 2016. The fees for these services are included in the Audit and Audit-Related Fees mentioned above.

(c) All Other Fees

There were no other professional services rendered by the external auditors during the period.

(d) Company Policy in Appointment of Independent Auditor

The President and the Treasurer recommend to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. The Board of Directors approves their recommendation.

PART III -- CONTROL AND COMPENSATION INFORMATION

Item 9 – Directors and Executive Officers

A. DIRECTORS – The names, ages, terms of office, business experience for the last five years, directorship in other companies of the directors of the Registrant are as follows:

Atty. Roberto V. San Jose, Director, Chairman of the Board - He was elected Chairman of the Board in 2003 and has been a member of the Board of Directors as early as 1991. He is a consultant of the Castillo Laman Tan Pantaleon & San Jose Law Offices and a Director or Officer of the following companies: Anglo Philippine Holdings Corporation, Alsons Consolidated Resources Corporation, Philweb Corporation, CP Group of Companies, Carlos Palanca Foundation, Inc., MAA Consultants, Inc., Solid Group Inc., United Paragon Mining Corporation, The Metropolitan Club, Inc. and various client corporations of their law firm. Attorney San Jose, a Filipino, is 76 years old.

Esteban G. Peña Sy, Director and President - He was elected as Director and President on Nov. 1, 2006 and has served as such for more than ten years now. He graduated from the University of the Philippines in 1968 with the degree of A.B. Economics and completed the Program for Management Development at Harvard Business School in 1982. He was the Managing Director of Pan Asian Management Ltd. And AI Financial Services Ltd., which are management and investment consultancy firms based in Hongkong, and Pan Asian Oasis Telecom Ltd. that operates joint venture factories engaged in the manufacture of communication and fiber optic cables in China. His previous work experience includes the following: Asst. Secretary General of the Federation of Filipino-Chinese Chambers of Commerce and Industry from 1971 - 1979 and Executive Director from 1980-1986; various positions in the Ayala Group of Companies from 1979-1984. Mr. Peña Sy, a Filipino citizen, is 70 years old.

Atty. Delfin P. Angcao, Corporate Secretary - He holds the position since 1995, or for more than five years now. A partner at the Castillo Laman Tan Pantaleon & San Jose Law Offices (CLTPSJ) since the year 2000. He was a junior associate with CLTPSJ from 1995 to 1997. He climbed up to being a Senior Associate from 1997 to 2000. He was a former associate at the San Jose, Enriquez, Lacas, Santos, Borje & Vendero from 1992 to 1995. His other business experience in the last 5 years are as follows: director and/or Corporate/Asst. Corporate Secretary of various client corporations of CLTPSJ namely: United Paragon Mining Corporation, The Manila Southwoods Golf & Country Club, Inc., and Golden Valley Exploration Corporation. He is a member of the Integrated Bar of the Philippines and the Philippine Institute of Certified Public Accountants. Attorney Angcao, a Filipino, is 60 years old.

Atty. Ana Maria Katigbak, Director and Assistant Corporate Secretary – She holds the position of Assistant Corporate Secretary since 1999. She held the position of a director for seven years, or from 1999 to October 31, 2006, and then from June 27, 2007 up to the present. A member of the Integrated Bar of the Philippines and a graduate of Bachelor of Laws and Bachelor of Arts in Comparative Literature (Cum Laude) at the University of the Philippines, she is currently a partner at the Castillo Laman Tan Pantaleon San Jose Law Offices. Her other business experience in the last 5 years are as follows: assistant corporate secretary of publicly-listed companies and registered membership clubs such as: Boulevard Holdings, Inc., Premier Entertainment Productions, Inc., Solid Group, Inc., The Metropolitan Club, Inc., AJO.net Holdings, Inc. and PhilWeb.Corporation. She is also a lecturer at the Thames International Business School, Philippine Campus. Atty. Katigbak, a Filipino, is 49 years old.

Sia Meow Leng, Director - Mr. Sia, aged 51, is a chartered accountant by profession, admitted as an Associate Member of the Chartered Association of Certified Accountants since 21 May 1992. Mr. Sia has extensive exposure in real estate development and consumer retail business in Greater China. Mr. Sia is currently the Chief Financial Officer and Executive Director of First Steamship Co., Ltd. (Stock Code TW 2601) since December 2011. Prior to this, Mr. Sia has served as the Financial Controller of Grand Ocean Retail Group Limited, a company listed in the Taiwan Stock Exchange, in Shanghai from May 2004 to December 2011. He was also the Deputy General Manager and Financial Controller of Tian An (Shanghai) Investments Co., Limited, a wholly-owned subsidiary of Tian An China Investments Co., Ltd. from July 1996 to May 2004. He has also served in Allied Properties (HK) Limited (Stock Code HK 0056) as a project finance manager between November 1993 to July 1996.

Anselm Wong, Director - Mr. Anselm Wong has been elected as director since January 12, 2017 upon the resignation of Mr. Shinsuke Amiya. He is the Chief Operating Officer of Asia Development Capital Co., Ltd. (formerly Asia Alliance Holdings Co., Ltd., a company listed in The Tokyo Stock Exchange since June 2015). Mr. Wong, a Malaysian citizen, is 32 years old.

Rodrigo B. Supeña, Independent Director - Mr. Rodrigo B. Supeña has been elected as Independent Director of the Company since March 31, 2009, and has served as such for more than two years now . Mr. Supeña, a seasoned banker who previously held various key positions in Land Bank of the Philippines and Bank of the Philippine Islands, is currently a Consultant of Land Bank of the Philippines and a Board Member of LBP Leasing Corporation. Mr. Supeña, a Filipino, is 78 years old.

Steven Gamboa Virata, Independent Director – He joined the Company in 2001 and has served as such for more than five years now. A degree holder of B.S. Architecture from the University of the Philippines, he has more than 10 years experience in the aviation industry, marketing, architecture, graphic design and production, theater industry and farm management. His other business experiences in the last 5 years are as follows: currently, he is a Director of C. Virata and Associates, ATAR-IV, Inc., Chilco Holdings Inc., and V.L. Araneta Properties, Inc. He was elected last year and is nominated this year, as an independent director. Mr. Virata, a Filipino, is 60 years old.

Messrs. Rodrigo B. Supeña and Steven G. Virata were elected as the Company's independent directors at the last annual stockholders' meeting held on July 27, 2017.

INDEPENDENT DIRECTORS

In compliance with SRC Rule 38 which provides for the guidelines on the nomination and election of independent directors, and under the New Manual on Corporate Governance, the Corporate Governance Committee shall, perform the functions previously undertaken by the Nomination and Election Committee, and shall be responsible in review and evaluation of qualifications of all persons nominated to the Board and other appointments that require Board approval. The Corporate Governance Committee is composed of the following as members:

1. Steven G. Virata - Chairman, Independent director
2. Rodrigo B. Supeña - Member, Independent director
3. Roberto V. San Jose - Member
4. Anselm Wong - Member
5. Ana Maria A. Katigbak-Lim - Member

On May 20, 2008, the stockholders and the board of directors of the Company have duly approved to amend the Company's By-Laws by inserting a new provision therein relating to the procedure on nomination and election of independent directors as required under SRC Rule 38 of the Implementing Rules and Regulations of the Securities Regulations Code. The amended By-Laws is yet to be filed with and approved by the SEC.

B. EXECUTIVE OFFICERS/CONTROL PERSONS

Esteban G Peña Sy, President - See foregoing Director's Profile.

Gloria Georgia G. Garcia, Corporate Treasurer & Chief Financial Officer – A Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants, Ms. Garcia started her career with SGV & Co. Her work experience included more than three years as a junior auditor with the firm. Thereafter, she had few years in the recreation, gaming and hotel industries and more than twenty years in the real estate industry up to present. Ms. Garcia, a Filipino, is 47 years old.

All the directors and executive officers named above were elected to their positions for a term of one (1) year and to serve as such until their successors are elected and qualified.

None of the directors and officers of the Company was involved in the past five years in any bankruptcy proceeding. Neither have they been convicted by final judgment in any criminal proceeding, nor been subject to any order, judgment or decree of competent jurisdiction, permanently enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in action by any court or administrative body to have violated a securities or commodities law.

No directors and officers are related to the extent of the fourth civil degree either by consanguinity or affinity.

There is no other person aside from those listed under Directors and Executive Officers who makes a significant contribution to the business.

Except for the above directors and officers, the Registrant has no significant employees (as the term is defined under the SRC and its implementing rules and regulations).

Item 10 – Executive Compensation

Compensation of Directors and Executive Officers

The annual compensation of the Company's Chief Executive Officer and three most highly compensated executive officers for the last two (2) fiscal years and the ensuing year 2017 (estimate) are as follows:

Name and Principal Position	Salary			Bonus	Other Annual Compensation
	2018 (Estimate)	2017	2016		
Roberto V. San Jose *Chairnan of the Board*					
Esteban G. Peña Sy *President*					
Delfin P. Angcao *Corporate Secretary*					
Gloria Georgia G. Garcia *Treasurer*					
Aggregate compensation (all key officers and directors as a group) Note: Registrant has no other executive officers except those named above.	P4.8M	P4.37M	P4.78M	None	None

Directors receiving compensation were either employed as officers of the Registrant receiving fixed monthly salary or receiving reimbursement of representation expenses incurred from time to time.

Executive officers employed by the Registrant, receiving fixed monthly salary (see table above) are Mr. Esteban G. Peña Sy and Ms. Gloria Georgia G. Garcia.

There were no employment contracts, termination of employment, or any arrangement that resulted or may result in a change of control of the Registrant.

There are no outstanding warrants or options held by the Company's executive officers and directors as a group.

Item 11 – Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

Stockholders owning more than 5% of the Registrant's shares of stocks as of December 31, 2017:

Title of Class	Name And Address Of Record Owner And Relationship With Issuer	Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Prokey Investment Ltd.** c/o Mabuhay Holdings Corporation: 35/F, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, 1223	Esteban G. Peña Sy, President of Registrant	Filipino	351,289,763	29.27
Common	PCD Nominee Corporation* G/F MSE Building 6767Ayala Avenue, Makati City	B. A. Securities *	Foreign	313,929,010	26.16
TOTAL				665,218,773	55.43

* This bank is the only participant under the PCD that owns 5% or more of the Company's voting stock. While in the past years, Mr. Esteban G. Peña Sy or Atty. Roberto V. San Jose, the Chairman of the Meeting was appointed proxy for 364,187,106 shares in the name of B. A. Securities, Inc., Registrant is not aware of the identity of its new proxy, if any, entitled to vote in the forthcoming annual stockholders' meeting.

**Prokey Investment Ltd. (Prokey) is a 100% Filipino-owned company registered in the British Virgin Islands and licensed by the SEC on March 15, 2010 to operate a representative office in the Philippines. Mr. Esteban Peña Sy, President of the Registrant and the owner of Prokey will exercise his right to vote for these shares.

(2) Security Ownership of Management.

The following directors and officers are record/beneficial (R/B) owners of the Registrant's shares as indicated opposite their names as of December 31, 2017:

Title of Class	Nameof Beneficial Owner	Amount and Nature of Beneficial Ownership			Citizenship	Percent of Ownership
		Shares	Amount	Nature		
Common	Roberto V. San Jose Director/Chairman of the Board	600	600	R & B	Filipino	0
Common	Esteban G. Peña Sy	353,299,813	353,299,813	R & B	Filipino	29.44
Common	Delfin P. Angcao Director/Corp. Secretary	641	641	R & B	Filipino	0
Common	Steven G.Virata Director	100	100	R	Filipino	0

Common	Rodrigo B. Supeña	50	50	R	Filipino	0
Common	Ana Maria A. Katigbak Director/Asst. Corp. Secretary	50	100	R	Filipino	0
Common	Anselm Wong	50	50	R	Malaysian	0
Common	Sia Meow Leng	50	50	R	Taiwanese	0
Common	Gloria Georgia G. Garcia, Treasurer	50	50	R	Filipino	0
TOTAL		353,301,404	353,301,454			29.44

Item 12 – Certain Relationships and Related Transactions

There are no related party transactions other than those presented in Note 15 of the Notes to Consolidated Financial Statements attached herein.

PART IV – CORPORATE GOVERNANCE

Item 13 – Compliance with Leading Practice on Corporate Governance

The Company is committed to good corporate governance and continues to pursue efforts towards attaining full compliance with its New Manual on Corporate Governance.

The Company has designated its SVP-Treasurer and Chief Financial Officer, Ms. Gloria Georgia G. Garcia, as Compliance Officer who is tasked with monitoring compliance with the provisions and requirements of the Company's New Manual on Corporate Governance.

The Company progressively develops a plan and timetable for compliance with certain leading practices and principles of good corporate governance, such as structured monitoring of compensation, benefits, succession planning and continuous training for management and key personnel on the leading practices of good corporate governance.

PART V -- EXHIBITS AND SCHEDULES

Item 14 – Exhibits and Reports on Form 17-C

A. **Exhibits --** The exhibits, as indicated in the Index to Exhibits, are either not applicable to the Company or require no answer.

B. Report on SEC Form 17-C

The following current reports have been reported by Mabuhay Holdings Corporation during the year 2017 through official disclosure letters dated:

Date	Disclosures
January 13, 2017	Change in Directors and/or Officers
March 29, 2017	Results of Board Meeting
June 28, 2017	Notice of Annual Stockholders' Meeting
July 28, 2017	Amendments to By-Laws
July 28, 2017	Results of Organizational Meeting of Board of Directors
July 28, 2017	Results of Annual Stockholders' Meeting

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on its behalf by the issuer by the undersigned, thereunto duly authorized, in the City of Makati, on _____________, 2018.

MABUHAY HOLDINGS CORPORATION
Issuer

Pursuant to the requirements of the Securities Regulation Code, this annual report has been signed by the following persons in the capacities and on the dates indicated:

By:
Board of Directors and Officers:

ROBERTO V. SAN JOSE
Chairman of the Board

ESTEBAN G. PEÑA SY
Director and President

DELFIN P. ANGCAO
Corporate Secretary

GLORIA GEORGIA G. GARCIA
Treasurer

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY)

APR 13 2018

SUBSCRIBED AND SWORN TO before me, a Notary Public, for and in Makati City, this ____ ______ day of April 2018, affiants exhibiting to me their Community Tax Certificates/Passports/ Driver's License, as follows:

Affiant	**CTC No./ Passport No.**	**Date of Issue**	**Place of Issue**
Roberto V. San Jose	P1329913A	December 20, 2016	DFANCR South
Esteban G. Peña Sy	EB9453889	October 25, 2013	Manila
Delfin P. Angcao	P0113420A	August 31, 2016	Manila
Gloria Georgia G. Garcia	EC0489004	March 5, 2014	DFA NCR East

Doc. No. 170
Page No. 31
Book No. XIV
Series of 2018.

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2018
IBP No. 656155-Lifetime Member
MCLE Compliance No. V-0006934
Appointment No. M-104 (2017-2018)
PTR No. 6607879 Jan. 3, 2018
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

MABUHAY HOLDINGS CORPORATION

INDEX TO EXHIBITS
SEC FORM 17-A

* Either not applicable to the Company or requires no answer.

SUBSIDIARIES OF THE REGISTRANT

The following are the subsidiaries of the Registrant over which it exercises considerable control:

A. Wholly-owned subsidiaries

T & M Holdings, Incorporated
M & M Holdings Corporation

B. Others

Subsidiary	Ownership
The Taal Company, Incorporated (TTCI)	29.97
Tagaytay Properties and Holdings Corporation	26.04
Mindanao Appreciation Corporation	28.51
The Angeles Corporation	38.46
IRC Properties, Inc.	29.62 (direct and indirect thru T&M Holdings Inc.)

MABUHAY
HOLDINGS CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **MABUHAY HOLDINGS CORPORATION and Subsidiaries** 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 misstatement, whether due to fraud of 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 the schedules attached therein, and submits the same to the stockholders.

Isla Lipana & Co., PwC (PricewaterhouseCoopers), 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 audit.

ROBERTO V. SAN JOSE
Chairman of the Board

ESTEBAN G. PEÑA SY
President

GLORIA GEORGIA G. GARCIA
Chief Financial Officer

Signed this 11th day of April 2018.

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
Revenue District Office No. 47
East Makati
RECEIVED
APR 13 2018

35TH FLOOR, RUFINO PACIFIC TOWER, 6784 AYALA AVENUE, MAKATI CITY 1223, PHILIPPINES
TEL. NO: (632) 750-2000 FAX NO.: (632) 751-0773

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY)

SUBSCRIBED AND SWORN TO before me, a Notary Public, for and in Makati City, this 12th day of April 2018, affiants exhibiting to me their Community Tax Certificates/Passports, as follows:

Affiant	CTC No./ Passport No.	Date of Issue	Place of Issue
Roberto V. San Jose	P1329913A	Dec. 20, 2016	DFANCR South
Esteban G. Peña Sy	EB9453889	October 25, 2013	Manila
Gloria Georgia G. Garcia	EC0489004	March 05, 2014	DFANCR East

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2018
IBP No. 656155-Lifetime Member
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Brgy. Pio Del Pilar, Makati City

Doc. No. 406
Page No. 83
Book No. XVIII
Series of 2018

Mabuhay Holdings Corporation and Subsidiaries

Consolidated Financial Statements
As at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017

pwc

Isla Lipana & Co.

Statements Required by Rule 68
Securities Regulation Code (SRC)
As Amended on October 20, 2011

To the Board of Directors and Shareholders of
Mabuhay Holdings Corporation
35th Floor, Rufino Pacific Tower
6784 Ayala Avenue
Makati City

We have audited the consolidated financial statements of Mabuhay Holdings Corporation and its subsidiaries as at and for the year ended December 31, 2017, on which we have rendered the attached report dated April 11, 2018. The supplementary information shown in the Map of the Group of Companies within which the Reporting Entity Belongs, the Schedule of Philippine Financial Reporting Standards effective as at December 31, 2017 and the Reconciliation of Retained Earnings Available for Dividend Declaration, as additional components required by Rule 68 of the Securities Regulation Code, and Schedules A, B, C, D, E, F, G, and H, as required by Rule 68 of the Securities Regulation Code, are presented for purposes of filing with the Securities and Exchange Commission and are not a required part of the basic consolidated financial statements. Such supplementary information are the responsibility of management and have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the supplementary information have been prepared in accordance with Rule 68 of the Securities Regulation Code.

Isla Lipana & Co.

Imelda Ronnie G. Castro

Imelda Ronnie de Guzman-Castro
Partner
CPA Cert. No. 89352
P.T.R. No. 0011287; issued on January 10, 2018 at Makati City
SEC A.N. (individual) as general auditors 0410-AR-3, Category A; effective until February 2, 2019
SEC A.N. (firm) as general auditors 0009-FR-4; Category A; effective until July 15, 2018
T.I.N. 152-015-095
BIR A.N. 08-000745-44-2015; issued on December 8, 2015; effective until December 7, 2018
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
April 11, 2018

Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 845 2728, F: +63 (2) 845 2806, www.pwc.com/ph

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Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
Mabuhay Holdings Corporation
35th Floor, Rufino Pacific Tower
6784 Ayala Avenue
Makati City

Our Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mabuhay Holdings Corporation (the "Parent Company") and its Subsidiaries (together, the "Group") as at December 31, 2017 and 2016, and the consolidated financial performance and consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statements of financial position as at December 31, 2017 and 2016;
- the consolidated statements of total comprehensive income for each of the three years in the period ended December 31, 2017;
- the consolidated statements of changes in equity for each of the three years in the period ended December 31, 2017;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2017; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
Revenue District Office No. 47
East Makati
RECEIVED
APR 1 2018

Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 845 2728, F: +63 (2) 845 2806, www.pwc.com/ph

We tailored the scope of our audits in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

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

Key audit matter identified in our audits is as follows:

Key Audit Matter	How our audits addressed the Key Audit Matter
Estimation of fair value of investment properties Refer to Note 7 to the consolidated financial statements for the details of the investment properties and Note 24.1 for discussion on critical accounting estimates and assumptions. This is an area of focus mainly due to the materiality of the account and volatility of the market. As at December 31, 2017, total investment properties, carried at fair value, amounts to P335.61 million. An annual fair value assessment is performed based on the requirements of PFRS 13, Fair Value Measurement, and Philippine Accounting Standards (PAS) 40, Investment Property. In 2017, the Group recognized a fair value gain amounting to P15.15 million. This is based on the report prepared by an independent appraiser using the market approach. This approach uses sales and listing of comparable properties registered within the vicinity premised on the factors of time, unit area or size, unit location, unit improvements, building location, building features or amenities, bargaining allowance, and others.	We addressed the matter by obtaining the appraisal report and reviewing the appropriateness of the method and reasonableness of the significant assumptions and estimates used in calculating the fair value. In particular, comfort over the reliability of the appraiser report was obtained through independent verification of certain fair value assumptions (i.e., similar market listing in the area) over the Group's properties. We evaluated competence, capabilities and objectivity of the independent appraiser engaged by the Group by reviewing its profile, licenses and client portfolio. The current year adjustment was discussed and cleared with management and Audit Committee. We did not note any significant issues in our review of management's estimate of fair value of investment properties.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A, and Annual Report for the year ended December 31, 2017, but do not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A, and Annual Report are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the ability of each entity within the Group 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 entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 PSA 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, these could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A, and Annual Report for the year ended December 31, 2017, but do not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A, and Annual Report are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the ability of each entity within the Group 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 entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 PSA 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, these could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's 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 ability of each entity within the Group 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 an entity within the Group 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.

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.

Isla Lipana & Co.

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

The engagement partner on the audit resulting in this independent auditor's report is Imelda Ronnie de Guzman-Castro.

Isla Lipana & Co.

Imelda Ronnie G. Castro

Imelda Ronnie de Guzman-Castro
Partner
CPA Cert. No. 89352
P.T.R. No. 0011287; issued on January 10, 2018 at Makati City
SEC A.N. (individual) as general auditors 0410-AR-3, Category A; effective until February 2, 2019
SEC A.N. (firm) as general auditors 0009-FR-4; Category A; effective until July 15, 2018
T.I.N. 152-015-095
BIR A.N. 08-000745-44-2015; issued on December 8, 2015; effective until December 7, 2018
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
April 11, 2018

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
Revenue District Office No. 47
East Makati
RECEIVED
APR 13 2018

Mabuhay Holdings Corporation and Subsidiaries

Consolidated Statements of Financial Position
As at December 31, 2017 and 2016
(All amounts in Philippine Peso)

	Notes	2017	2016
ASSETS			
Current assets			
Cash	2	5,620,579	30,049,875
Financial assets at fair value through profit or loss	3	1,982,245	2,268,490
Notes and other receivables, net	4	196,021,880	167,236,299
Prepayments and other current assets	13	2,668,114	1,385,234
Total current assets		206,292,818	200,939,898
Non-current assets			
Investment in an associate	5	1,143,852,981	1,124,790,780
Property and equipment, net	6	1,329,008	2,681,055
Investment properties	7	335,607,545	320,453,000
Other non-current assets		87,031	146,942
Total non-current assets		1,480,876,565	1,448,071,777
Total assets		1,687,169,383	1,649,011,675
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and other current liabilities	8	44,443,598	36,701,799
Borrowings	9	135,054,491	135,627,442
Advances from related parties	15	17,439,760	14,915,116
Provision for litigation claims	20	47,770,052	47,770,052
Deposits for future share subscriptions	10	194,695,274	194,695,274
Total current liabilities		439,403,175	429,709,683
Non-current liability			
Deferred income tax liabilities, net	13	89,209,729	84,416,394
Total liabilities		528,612,904	514,126,077
Equity			
Attributable to shareholders of the Parent Company			
Share capital	11	975,534,053	975,534,053
Treasury shares	11	(58,627,864)	(58,627,864)
Retained earnings		103,404,207	83,829,881
		1,020,310,396	1,000,736,070
Non-controlling interest		138,246,083	134,149,528
Total equity		1,158,556,479	1,134,885,598
Total liabilities and equity		1,687,169,383	1,649,011,675

The notes on pages 1 to 41 are an integral part of these financial statements.

Mabuhay Holdings Corporation and Subsidiaries

Consolidated Statements of Total Comprehensive Income
For each of the three years in the period ended December 31, 2017
(All amounts in Philippine Peso)

	Notes	2017	2016	2015
Income				
Gain on fair value change in investment properties	7	15,154,545	17,595,000	75,736,000
Rental income	7	7,308,941	7,154,721	7,015,271
Gain on disposal of assets	18	13,500	62,395	-
Recovery of impairment losses on investment in an associate	5	-	37,857,178	-
Reversal of allowance for impairment loss	4	-	5,436,501	-
Unrealized gain on revaluation of securities	3	-	609,101	-
Others		12,631	69,767	-
		22,489,617	68,784,663	82,751,271
Expenses				
Salaries and employee benefits	17	(5,697,922)	(5,904,050)	(3,867,492)
Meeting expenses		(2,157,447)	(1,035,909)	(613,534)
Professional fees		(1,549,975)	(2,316,503)	(2,004,178)
Depreciation	6	(1,405,528)	(1,690,384)	(1,739,448)
Unrealized loss on revaluation of securities	3	(211,755)	-	(186,211)
Loss on disposal of assets	18	-	-	(2,300,307)
Other expenses	12	(5,288,989)	(6,210,951)	(5,829,666)
		(16,311,616)	(17,157,797)	(16,540,836)
Income from operations		6,178,001	51,626,866	66,210,435
Finance income (cost), net				
Interest income	2,4	24,470,068	27,721,962	42,303,755
Foreign exchange gain (loss), net	19	891,507	(8,583,804)	(21,661,690)
Interest expense	9	(9,949,827)	(28,644,237)	(43,376,275)
		15,411,748	(9,506,079)	(22,734,210)
Share in net earnings of an associate	5	6,811,616	21,006,048	9,527,010
Income before income tax		28,401,365	63,126,835	53,003,235
Provision for income tax	13	(4,851,404)	(4,780,057)	(29,808,565)
Net income for the year		23,549,961	58,346,778	23,194,670
Other comprehensive income (loss)				
Item that will be subsequently reclassified to profit or loss				
Fair value gain (loss) on available-for-sale financial assets		28,389	(6,789)	(4,938)
Item that will not be subsequently reclassified to profit or loss				
Share in other comprehensive gain (loss) of an associate	5	92,531	(3,097)	-
		120,920	(9,886)	(4,938)
Total comprehensive income for the year		23,670,881	58,336,892	23,189,732
Basic and diluted earnings (loss) per share attributable to shareholders of the Parent Company	14	0.0200	0.0481	(0.0075)
Net income (loss) attributable to:				
Shareholders of the Parent Company		19,481,795	46,901,151	(7,313,787)
Non-controlling interest		4,068,166	11,445,627	30,508,457
		23,549,961	58,346,778	23,194,670
Total comprehensive income (loss) attributable to:				
Shareholders of the Parent Company		19,574,326	46,898,054	(7,313,787)
Non-controlling interest		4,096,555	11,438,838	30,503,519
		23,670,881	58,336,892	23,189,732

The notes on pages 1 to 41 are an integral part of these financial statements.

Mabuhay Holdings Corporation and Subsidiaries

Consolidated Statements of Changes in Equity
For each of the three years in the period ended December 31, 2017
(All amounts in Philippine Peso)

	Shareholders of the Parent Company				
	Share capital (Note 11)	Treasury shares (Note 11)	Retained earnings	Non-controlling interest	Total
Balances as at January 1, 2015	975,534,053	(58,627,864)	44,245,614	92,207,171	1,053,358,974
Comprehensive income (loss)					
Net income (loss) for the year	-	-	(7,313,787)	30,508,457	23,194,670
Other comprehensive loss for the year	-	-	-	(4,938)	(4,938)
Total comprehensive income (loss) for the year	-	-	(7,313,787)	30,503,519	23,189,732
Balances as at December 31, 2015	975,534,053	(58,627,864)	36,931,827	122,710,690	1,076,548,706
Comprehensive income (loss)					
Net income for the year	-	-	46,901,151	11,445,627	58,346,778
Other comprehensive loss for the year	-	-	(3,097)	(6,789)	(9,886)
Total comprehensive income for the year	-	-	46,898,054	11,438,838	58,336,892
Balances as at December 31, 2016	975,534,053	(58,627,864)	83,829,881	134,149,528	1,134,885,598
Comprehensive income (loss)					
Net income for the year	-	-	19,481,795	4,068,166	23,549,961
Other comprehensive income for the year	-	-	92,531	28,389	120,920
Total comprehensive income for the year	-	-	19,574,326	4,096,555	23,670,881
Balances as at December 31, 2017	975,534,053	(58,627,864)	103,404,207	138,246,083	1,158,556,479

The notes on pages 1 to 41 are an integral part of these financial statements.

Mabuhay Holdings Corporation and Subsidiaries

Consolidated Statements of Cash Flows
For each of the three years in the period ended December 31, 2017
(All amounts in Philippine Peso)

	Notes	2017	2016	2015
Cash flows from operating activities				
Income before income tax		28,401,365	63,126,835	53,003,235
Adjustments for:				
Interest expense	9	9,949,827	28,644,237	43,376,275
Depreciation	6	1,405,528	1,690,384	1,739,448
Unrealized loss (gain) on revaluation of securities	3	211,755	(609,101)	186,211
Write-off of other non-current assets	12	88,300	-	-
Loss (gain) on disposal of assets	18	(13,500)	(62,395)	2,300,307
Unrealized foreign exchange loss (gain)	19	(820,144)	9,037,062	17,821,824
Share in net earnings of an associate	5	(6,811,616)	(21,006,048)	(9,527,010)
Gain on fair value change in investment properties	7	(15,154,545)	(17,595,000)	(75,736,000)
Interest income	2,4	(24,470,068)	(27,721,962)	(42,303,755)
Write-off of prepaid tax	12	-	528,474	-
Reversal of allowance for impairment loss	4	-	(5,436,501)	-
Recovery of impairment losses on investment in an associate	5	-	(37,857,178)	-
Operating loss before working capital changes		(7,213,098)	(7,261,193)	(9,139,465)
Decrease (increase) in:				
Notes and other receivables		(4,252,207)	284,349	(1,472,968)
Prepayments and other current assets		732,904	(345,444)	171,007
Other non-current assets		-	(5)	(596,707)
Increase (decrease) in:				
Advances from related parties		2,524,644	5,620,200	377,228
Accounts payable and other current liabilities		(1,508,120)	(7,995,484)	753,850
Cash absorbed by operations		(9,715,877)	(9,697,577)	(9,907,055)
Interest received	2,4	26,693	142,554,401	99,487,509
Income tax paid		(2,492,577)	(1,248,096)	(593,421)
Collection of notes receivable	4	-	107,876,522	-
Net cash provided by (used in) operating activities		(12,181,761)	239,485,250	88,987,033
Cash flows from investing activities				
Additional investment in an associate	5	(12,158,054)	(15,408,678)	
Acquisition of property and equipment	6	(91,851)	(85,442)	(53,537)
Acquisition of securities	3	(2,010)	-	-
Proceeds from disposal of securities		-	308,395	-
Proceeds from disposal of investment properties		-	-	2,000,000
Proceeds from disposal of investment in an associate	5	-	-	281,693
Net cash provided by (used in) investing activities		(12,251,915)	(15,185,725)	2,228,156
Cash flows from financing activities				
Payment of interest	9	-	(32,587,466)	(53,988,865)
Payment of borrowings	9	-	(173,015,388)	(41,016,858)
Net cash used in financing activities		-	(205,602,854)	(95,005,723)
Net increase (decrease) in cash for the year		(24,433,676)	18,696,671	(3,790,534)
Cash as at January 1		30,049,875	11,690,375	15,474,363
Effect of exchange rates on cash		4,380	(337,171)	6,546
Cash as at December 31	2	5,620,579	30,049,875	11,690,375

The notes on pages 1 to 41 are an integral part of these financial statements.

Mabuhay Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements
As at December 31, 2017 and 2016 and
for each of the three years in the period ended December 31, 2017
(In the Notes, all amounts are shown in Philippine Peso unless otherwise stated)

Note 1 - General information

Mabuhay Holdings Corporation (the "Parent Company") was incorporated in the Philippines on April 6, 1988 primarily to engage in the acquisition and disposal of investments in marketable securities, shares of stock and real estate properties. The Company is 29.85 % owned by Asia Development Capital Co. Ltd., a company incorporated and registered in Tokyo, Japan on February 7, 1922 to engage in the sale, development, brokerage, and leasing of real estate properties. The remaining 70.15% is owned by various individuals and corporations. The Company's common shares were listed in the Philippines Stock Exchange (PSE) in 1990. Other than its share listing in 1990, there were no other share offerings subsequent thereto.

The Parent Company is considered a public company under Rule 3.1 of the Implementing Rules and Regulations of the Securities Regulation Code when it listed its shares in the PSE in 1990.

The Parent Company and its subsidiaries (the "Group") have no significant commercial operations as at December 31, 2017 and 2016. The subsidiaries' operations consist mainly of preservation and maintenance of existing investment properties.

The Parent Company's main focus is to support the ongoing property developments of its associate, IRC Properties, Inc. (IRC) (Note 5), in relation to IRC's agreement with a third party for the development of a portion of a large property in Binangonan, Rizal. IRC owns more than 2,000 hectares of land in Binangonan, Rizal.

On May 19, 2016, IRC signed a sales agreement with a leading local real estate developer to acquire a portion of the 2,200-hectare Binangonan lot with total contract price of P24.97 million. The Parent Company believes that the entry of this leading local real estate developer will jumpstart the development of a new mixed-use community south of Metro Manila. In 2017, IRC started the development of its fourth residential project located in the Binangonan property.

As at December 31, 2017 and 2016, 138.30 hectares are ready for immediate development.

The Parent Company's registered office and principal place of business is at 35th Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City.

The Parent Company has 8 employees as at December 31, 2017 (2016 - 9).

The consolidated financial statements have been approved and authorized for issue by the Parent Company's Board of Directors on April 11, 2018.

Note 2 - Cash

Cash as at December 31 consist of:

	2017	2016
Cash on hand	15,000	15,000
Cash in banks	5,605,579	30,034,875
	5,620,579	30,049,875

Cash in bank earns interest at the prevailing bank deposit rates of 0.13% (2016 - 0.25%) per annum. Interest income from cash in bank for the year ended December 31, 2017 amounted to P26,693 (2016 - P109,464; 2015 - P446,051).

Note 3 - Financial assets at fair value through profit or loss

Financial assets as at fair value through profit or loss as at December 31 consist of:

	2017	2016
Balance as at January 1	2,268,490	1,905,389
Gain (loss) on fair value change	(211,755)	609,101
Additions	2,010	-
Disposals	(76,500)	(246,000)
Balance as at December 31	1,982,245	2,268,490

The account as at December 31, 2017 and 2016 consists of listed equity shares with fair value based on current bid prices in an active market (Level 1 valuation).

In 2017, the Parent Company subscribed to additional stock rights with a total cost of P2,010 (2016 - nil).

In 2017, the Parent Company sold listed equity shares with fair value of P76,500 (2016 - P246,000) resulting in a gain of P13,500 (2016 - P62,395). The proceeds will be collected in 2018.

Changes in fair values of financial assets at fair value through profit or loss are recorded in unrealized gain (loss) on revaluation of securities in profit or loss.

Note 4 - Notes and other receivables, net

Notes and other receivables, net as at December 31 consist of:

	Note	2017	2016
Notes receivable, including interest	15	189,351,013	161,907,638
Rent receivable	15	3,815,168	2,347,796
Advances and other receivables		1,697,123	2,317,522
Due from related parties	15	1,158,576	663,343
		196,021,880	167,236,299

Notes receivables represent loans granted to IRC without definite payment terms and bears annual interest rates ranging from 12% to 18%. The account also includes accrued interest receivable of P50.36 milion (2016 - P25.91 milion). Total interest income currently recognized from these loans amounted to P24.44 million (2016 - P27.61 million; 2015 - P41.86 million). These loans are due and demandable.

In 2017, IRC issued an additional promissory note amounting to P3 million with a 15% interest rate per annum. There were no issuance in 2016.

In 2016, IRC paid off portion of the notes receivable amounting to P250 million of which P107.88 million pertains to payment of principal. There were no collection in 2017.

Movements in principal amount of notes receivable for the years ended December 31 are as follows:

	Note	2017	2016
Balance as at January 1		135,993,378	243,869,900
Additional principal		3,000,000	-
Receipt of principal amount		-	(107,876,522)
Balance as at December 31	15	138,993,378	135,993,378

Movements in accrued interest receivable for the years ended December 31 are as follows:

	Note	2017	2016
Balance as at January 1		25,914,260	140,746,699
Interest income		24,443,375	27,612,498
Interest received		-	(142,444,937)
Balance as at December 31	15	50,357,635	25,914,260

Due to the collection in 2016, the allowance for impairment loss on the loans amounting to P5.44 million was reversed since management assessed that recovery of the full balance is probable. The recovery is also due to the re-assessment made by management resulting from the current development in IRC's operations as disclosed in Note 1.

Note 5 - Investment in an associate

Details of the account as at December 31 which pertains to the investment in shares of stock of IRC as follows:

	2017	2016
Acquisition cost		
Cost at January 1	622,999,252	607,590,574
Share acquisitions	12,158,054	15,408,678
Balance at December 31	635,157,306	622,999,252
Accumulated share in net income		
Balance at January 1	660,496,647	639,493,696
Share in net earnings	6,811,616	21,006,048
Share in other comprehensive income (loss)	92,531	(3,097)
Balance at December 31	667,400,794	660,496,647
Allowance for impairment loss		
Balance at January 1	(158,705,119)	(196,562,297)
Recovery for the year	-	37,857,178
Balance at December 31	(158,705,119)	(158,705,119)
Total	1,143,852,981	1,124,790,780

In 2015, the Group sold part of its investment in shares of stock of IRC which resulted in a gain of P59,693 (Note 18). Proceeds from disposals of the investment amounted to P281,693 in 2015. There were no disposals in 2017 and 2016.

In 2016, the Group recognized a recovery of impairment losses amounting to P37.86 million on its investment in shares of stock of IRC due to the current development in IRC's operations as disclosed in Note 1.

In 2017, the Group purchased additional 9,264,000 (2016 - 9,799,000) IRC shares amounting to P12.16 million (2016 - P15.41 million). The additions during the year resulted to the increase of Group's effective ownership interest in IRC shares to 29.62% (2016 - decreased to 28.44%).

The fair value of the Group's investment in shares of stock of IRC as at December 31, 2017 is P278.38 million (P0.72/share) (2016 - P460.40 million; P1.22/share).

The Group's investment in shares of stock of IRC is used as collateral for the Group's borrowings with a third party (Note 9).

There are no significant restrictions on the ability of the associate to transfer cash assets, pay dividend or pay advances to the Parent Company and its subsidiaries. Since most of the subsidiaries are not operational, the Parent Company provides financial support to the Group (Note 25.3).

The summarized financial information of IRC as at and for the years ended December 31 are as follows:

	2017	2016
	(in millions of Peso)	
Total current assets	1,164	1,189
Total non-current assets	2,566	2,426
Total assets	3,730	3,615
Total current liabilities	(567)	(543)
Total non-current liabilities	(1,301)	(1,234)
Total liabilities	(1,868)	(1,777)
Net assets	1,862	1,838

	2017	2016	2015
		(in millions of Peso)	
Income	196	225	90
Expenses	(166)	(121)	(42)
Income before tax	30	104	48
Provision for income tax	(7)	(30)	(19)
Net income	23	74	29
Other comprehensive income	-	-	-
Total comprehensive income	23	74	29
Cash flows provided by (used in):			
Operating activities	9	(29)	(93)
Investing activities	1	(1)	-
Financing activities	(30)	45	56
Net cash inflow (outflow)	(20)	15	(37)

In 2017, the Group has 29.62% or P551.52 million effective ownership in IRC (2016 - 28.44%; P522.73 million). The difference from P1,144 million (2016 - P1,125 million) arises from the fair value adjustment of non-depreciable non-current asset.

Note 6 - Property and equipment, net

Details and movements of property and equipment as at and for the year ended December 31 are as follows:

	Furniture and fixtures	Office equipment	Communication and other equipment	Office condominium	Transportation equipment	Building improvements	Total
Cost							
Balances as at January 1, 2016	1,662,116	765,150	170,461	13,746,305	5,277,679	3,859,242	25,480,953
Additions	-	85,442	-	-	-	-	85,442
Write-offs	-	(51,318)	(17)	-	-	-	(51,335)
Balances as at December 31, 2016	1,662,116	799,274	170,444	13,746,305	5,277,679	3,859,242	25,515,060
Additions	-	14,881	14,738	-	62,232	-	91,851
Disposals	-	(53,563)	-	-	-	-	(53,563)
Balances as at December 31, 2017	1,662,116	760,592	185,182	13,746,305	5,339,911	3,859,242	25,553,348
Accumulated depreciation							
Balances as at January 1, 2016	1,662,116	654,388	169,328	12,007,554	4,139,286	2,562,284	21,194,956
Depreciation	-	41,815	1,133	508,909	758,929	379,598	1,690,384
Write-offs	-	(51,318)	(17)	-	-	-	(51,335)
Balances as at December 31, 2016	1,662,116	644,885	170,444	12,516,463	4,898,215	2,941,882	22,834,005
Depreciation	-	41,383	983	593,727	389,837	379,598	1,405,528
Disposals	-	(15,193)	-	-	-	-	(15,193)
Balances as at December 31, 2017	1,662,116	671,075	171,427	13,110,190	5,288,052	3,321,480	24,224,340
Net book values							
December 31, 2016	-	154,389	-	1,229,842	379,464	917,360	2,681,055
December 31, 2017	-	89,517	13,755	636,115	51,859	537,762	1,329,008

The amount of fully depreciated assets still in use amounted to P7.71 million (2016 - P3.82 million). Depreciation expense of P1.41 million (2016 - P1.69 million; 2015 - P1.74 million) is charged in expenses.

There were no gain or loss recognised for disposals made in 2017. Proceeds were offset against payable to an employee. There were no disposals in 2016 and 2015.

In 2016, the Parent Company wrote-off fully depreciated assets that were no longer in use.

Note 7 - Investment properties

The Group's investment properties include several parcels of land and a condominium unit held for lease. Land includes properties of The Taal Company, Inc. (TTCI) and Tagaytay Properties and Holdings Corporation (TPHC), subsidiaries, held for appreciation purposes, including those in Batangas and Tagaytay City with a total land area of 29 hectares. The condominium unit, which is located in Makati with a total floor area of 676 square meters, is being leased out to IRC and third parties by the Parent Company (Note 16).

The following amounts have been recognized in profit or loss:

	Note	2017	2016	2015
Rental income	16	7,308,941	7,154,721	7,015,271
Operating expenses arising from investment properties that generate rental income		(1,265,063)	(1,404,600)	(2,891,174)
		6,043,878	5,750,121	4,124,097

The changes in the carrying amounts presented in the consolidated statements of financial position as at December 31 are summarized as follows:

	2017	2016	2015
Balance as at January 1	320,453,000	302,858,000	231,482,000
Disposal	-	-	(4,360,000)
Fair value gains	15,154,545	17,595,000	75,736,000
Balance as at December 31	335,607,545	320,453,000	302,858,000

The fair value of investment properties is determined on the basis of appraisal made by an external appraiser duly certified by the management. Valuation methods employed by the appraisers mainly include the market data approach (Note 25.10). As at December 31, 2017, the cumulative fair value gain amounted to P325.6 million (2016 - P310.4 million).

Note 8 - Accounts payable and other current liabilities

Accounts payable and other current liabilities as at December 31 consist of:

	2017	2016
Accrued interest on borrowings	37,428,760	27,926,125
Accounts payable and accrued expenses	6,812,121	6,493,190
Income tax payable	109,536	528,261
Withholding taxes	5,495	52,167
Subscription payable	2,500	2,500
Others	85,186	1,699,556
	44,443,598	36,701,799

Accounts payable and accrued expenses represent third party payables and accruals on employee benefits, legal and other professional fees all payable on demand.

Others pertain to accruals on utilities and other recurring expenses.

Note 9 - Borrowings

Borrowings as at December 31 consist of:

	Note	2017	2016
Third party		121,429,849	122,002,800
Related party	15	13,624,642	13,624,642
		135,054,491	135,627,442

The net debt reconciliation as at December 31 is presented below:

	2017	2016
Borrowings as at January 1	135,627,442	282,189,409
Changes arising from:		
Cash flows	-	(150,883,776)
Non-cash flows	(572,951)	4,321,809
Borrowings as at December 31	135,054,491	135,627,442
Cash as at December 31	(5,620,579)	(30,049,875)
Net debt as at December 31	129,433,912	105,577,567

In 2013, the Group entered into various loan agreements with a third party, Join Capital Limited (JCL), a company incorporated in Hongkong. The borrowings bear interest rates of 11% for 2017 (2016 - 13% to 15%) per annum and are payable on demand. These borrowings are secured by the Group's investment in shares of stock of IRC (Note 5).

There were no principal and interest repayments made in 2017. Movement in third party borrowings pertains to foreign exchange translation difference.

Interest expense incurred from these borrowings amounts to P9.95 million for the year ended December 31, 2017 (2016 - P28.64 million; 2015 - P43.38 million). There was no qualifying asset in 2017 and 2016.

Borrowings from a third party are denominated in Hongkong Dollar and US Dollar. Borrowings from a related party are Peso-denominated.

Note 10 - Deposits for future share subscriptions

In 1997, the Parent Company received from certain shareholders deposits for future share subscriptions totaling P241.62 million. Movement of P46.93 million in 2008 pertains to the cancellation of subscription with the amount previously received as deposits against the Parent Company's advances to relevant shareholders. There were no movements in the account during 2017 and 2016.

It is the intention of the shareholders that these balances represent equity deposits for future share subscriptions. The presentation of the deposits under liabilities is in compliance with Financial Reporting Bulletin No. 6 issued by Securities and Exchange Commission (SEC). The management considers issuing equivalent equity ownership upon development of concrete plans on improving the operations and the financial stability of the Parent Company and IRC.

Note 11 - Equity

Share capital as at December 31, 2017 and 2016 consist of:

	Amount
Common shares - P1 par value	
Authorized (4,000,000,000 shares)	4,000,000,000
Subscribed (1,200,000,000 shares)	1,200,000,000
Subscribed	1,200,000,000
Subscriptions receivable	(224,465,947)
Paid, issued and outstanding	975,534,053
Treasury shares (58,627,864 shares)	(58,627,864)

Treasury shares represent investment of Mindanao Appreciation Corporation (MAC) in the Parent Company's shares.

No collection occurred during 2017 and 2016 with regard to the outstanding subscription receivable.

As at December 31, 2017, there are 192 (2016 - 195) shareholders each owning more than one hundred (100) shares of the Parent Company.

Note 12 - Other expenses

Details of other expenses for the years ended December 31 are as follows:

	2017	2016	2015
Transportation and travel	1,171,378	1,199,621	1,303,103
Taxes and licenses	955,628	936,666	923,419
Office supplies	734,853	510,092	486,592
Repairs and maintenance	624,467	266,536	300,098
Communication, light and water	537,343	541,777	580,136
Association dues	387,901	377,695	375,490
Security services	373,308	1,462,121	1,493,230
Insurance	196,347	174,642	181,730
Write-off of other non-current assets	88,300	-	-
Postage	3,074	42,004	46,652
Write-off of prepaid tax	-	528,474	-
Miscellaneous	216,390	171,323	139,216
	5,288,989	6,210,951	5,829,666

Note 13 - Income taxes

Details of provision for income tax for the years ended December 31 are as follows:

	2017	2016	2015
Current	2,449,868	425,474	1,025,561
Deferred	2,401,536	4,354,583	28,783,004
	4,851,404	4,780,057	29,808,565

The net deferred income tax liability as at December 31 consist of:

	2017	2016
Recoverable within 12 months		
Unrealized foreign exchange loss, net	(8,354,686)	(8,600,729)
Deferred rental income	(482,726)	
	(8,837,412)	(8,600,729)
Recoverable beyond 12 months		
Fair value gain on investment property	98,047,141	93,017,123
Net liability	89,209,729	84,416,394

All movements in deferred income tax are charged to profit or loss except for those pertaining to other comprehensive income. Deferred income tax expense on other comprehensive losses was not recorded due to insignificant amount.

Deferred income tax assets are recognized to the extent that the realization of the related tax benefit through the future taxable profits is probable.

The Group incurred net operating loss carry-over (NOLCO) for the year ended December 31, 2017 amounting to P1.45 million (2016 - P14.44 million; 2015 - P27.80 million). However, the related deferred income tax asset of P434 thousand (2016 - P4.33 million; 2015 - P8.34 million) was not recognized since the probability that those benefits would be utilized through future taxable profits is uncertain.

The details of NOLCO as at December 31, which could be carried over as deductible expense from taxable income for three (3) consecutive years following the year of incurrence are as follows:

Year of incurrence	Year of expiration	2017	2016
2017	2020	1,446,774	-
2016	2019	14,435,333	14,435,333
2015	2018	27,799,410	27,799,410
2014	2017	-	13,577,662
Total NOLCO		43,681,517	55,812,405
Deferred income tax assets not recognized at 30%		13,104,455	16,743,722

In compliance with the Tax Reform Act of 1997, the Group is required to pay the (MCIT) or the normal income tax, whichever is higher. The details of the MCIT that can be carried forward on an annual basis and credited against normal income tax payable within three (3) immediately succeeding years from the period when the MCIT was paid are presented below:

Year of incurrence	Year of expiration	2017	2016
2017	2020	2,402,445	-
2016	2019	636,033	636,033
2015	2018	933,094	933,094
2014	2017	-	890,007
		3,971,572	2,459,134
Unrecognized deferred income tax asset on MCIT		(1,579,773)	(2,459,134)
Recognized deferred income tax asset		2,391,799	-

In 2016, the MCIT was charged to provision for income tax in the expectation that the Group will not be able to generate taxable income against which this can be applied.

In 2017, the Group applied MCIT amounting to P2,391,799 (2016 - nil) resulting in a prepaid tax of P1,678,788 (2016 - P358,386) recorded under prepayments and other current assets.

The reconciliation of tax on pre-tax income computed at the statutory income tax rates to provision for income tax are as follows:

	2017	2016	2015
Income before income tax	28,401,365	63,126,835	53,003,235
Tax on pretax income at 30%	8,520,410	18,938,051	15,900,971
Non-deductible expenses	609,935	654,530	4,786,254
Unrecognized deferred income tax assets on NOLCO and MCIT	434,031	4,966,633	11,066,166
Non-taxable income	(3,789)	(1,852,999)	(11,346)
Adjustment for income subjected to lower tax rates	(265,941)	(267,191)	(18,946)
Share in net earnings of an associate	(2,043,485)	(6,301,814)	(2,858,103)
Applied MCIT	(2,391,799)	-	-
Recovery of impairment loss	-	(11,357,153)	-
Others	(7,958)	-	943,569
	4,851,404	4,780,057	29,808,565

Note 14 - Basic and diluted earnings (loss) per share

The information used in the computation of basic and diluted earnings (loss) per share for the years ended December 31 are as follows:

	2017	2016	2015
Net income (loss) attributable to the shareholders of Parent Company	19,481,795	46,901,151	(7,313,787)
Divided by the average number of outstanding common shares	975,534,053	975,534,053	975,534,053
Earnings (loss) per share - basic and diluted	0.0200	0.0481	(0.0075)

Basic and diluted earnings (loss) per share are the same due to the absence of dilutive potential common shares.

Note 15 - Related party transactions and balances

The table below summarizes the Group's transactions and balances with its related parties as at and for the year ended December 31, 2017.

		2017		
	Notes	Transactions	Outstanding balances	Terms and conditions
Associate (IRC)				Unsecured, interest bearing receivables ranging from 12% to 18%, with no guarantee and collectible in cash on demand.
Notes receivable		3,000,000	138,993,378	
Accrued interest				
Interest income		24,443,375	50,357,635	
	4		189,351,013	
Rent receivable	4,16	1,467,372	3,815,168	Please refer to Note 16 for additional information on leases.
Due from				Unsecured, non-interest bearing, with no guarantee and collectible in cash on demand.
Entities under common control				
Intrinsic Value Management (IVM)				
Philippine Strategic International Holdings, Inc.(PSIHI)				
South China Holdings Corporation (SCHC)		23,279	686,622	
Associate (IRC)		471,954	471,954	
	4		1,158,576	
Borrowings from				Unsecured, non-interest bearing, with no guarantee and payable in cash on demand.
Entity under common control (IVM)	9	-	(13,624,642)	
Advances from				
Entities under common control				
IVM, PSIHI		(2,524,644)	(17,439,760)	
Salaries and employee benefits				These are determined based on contract of employment and payable in cash in accordance with the Group's payroll period. These were fully paid at reporting date.
Key management personnel		2,261,250	-	

The table below summarizes the Group's transactions and balances with its related parties as at and for the year ended December 31, 2016.

		2016		
	Notes	Transactions	Outstanding balances	Terms and conditions
Associate (IRC)				Unsecured, interest bearing receivables ranging from 12% to 18%, with no guarantee and collectible in cash on demand.
Notes receivable		(107,876,522)	135,993,378	
Accrued interest				
Interest income		27,612,498	25,914,260	
Interest received		(142,444,937)	-	
	4		161,907,368	
Rent receivable	4,16	586,949	2,347,796	Please refer to Note 16 for additional information on leases.
Due from				
Entities under common control (IVM, PSIHI and SCHC)	4	62,001	663,343	Unsecured, non-interest bearing, with no guarantee and collectible in cash on demand.
Borrowings from				
Entity under common control (IVM)	9	-	(13,624,642)	
Advances from				
Entities under common control IVM, PSIHI		(5,620,200)	(14,915,116)	
Salaries and employee benefits				These are determined based on contract of employment and payable in cash in accordance with the Group's payroll period. These were fully paid at reporting date.
Key management personnel		4,147,791	-	

Intercompany loans eliminated in 2017 amount to P741.58 million (2016 - P743.21 million). Allowance for impairment loss on notes receivable from IRC amounting to P5.44 million was reversed in 2016 (Note 4). Based on management's assessment, the carrying values of receivables from related parties are deemed collectible.

There were no write-offs made relative to balances with related parties in 2017 and 2016.

Note 16 - Leases

In 2009, the Parent Company occupied a portion of its investment property and converted it into an office space. The portion which is owner-occupied is properly reclassified as property and equipment (Note 6). The remaining portion is leased to IRC and other parties.

In 2017, rental income from investment in a condominium unit amounts to P7.31 million (2016 - P7.15 million; 2015 - P7.02 million) (Note 7).

The Parent Company renewed its lease agreement with IRC for the use of Unit35-B at the 35th Floor Rufino Pacific Tower, 6784 Ayala Avenue, Makati City with an aggregate area of 234 meters including two (2) parking rights. The lease shall be for a period of one (1) year commencing on April 1, 2017 and expiring on March 30, 2018. The lease agreement is renewable on a yearly basis upon mutual consent of both parties. The agreement provides for a monthly rate of P1,323 per square meter plus 12% VAT less 5% WHT or a total of P330,545 per month from April 1, 2017 to March 30, 2018. The rental shall be paid on a quarterly basis. These are unsecured and non-interest bearing (Note 15).

The Parent Company also renewed its lease agreement with a third party in relation to the use of Units 35-C and D at the 35th Floor of Rufino Pacific Tower. The lease shall be for a period of three (3) years commencing on May 1, 2014 and expiring on April 30, 2017. The contract was renewed from May 1, 2017 to April 30, 2020. The agreement provides for the payment of a monthly rental amounting to P306,571 exclusive of VAT, subject to 5% escalation rate annually. The rental shall be paid on a quarterly basis on or before the first working day of the quarter to which such rent corresponds. These are unsecured and non-interest bearing.

The lease agreement pertaining to the use of six (6) car parking rights at the Rufino Pacific Tower was also renewed with a third party. The lease shall be for a period of one (1) year commencing on January 12, 2017 until January 11, 2018 renewable thereafter upon mutual agreement of both parties. The agreement provides for a rate of P19,465 per month inclusive of 12% VAT and net of 5% withholding tax. The rental shall be paid on a monthly basis. These are unsecured and non-interest bearing.

As at December 31, minimum aggregate rental receivables for future years are as follows:

	2017	2016	2015
Within one (1) year	7,259,814	7,189,371	7,015,271
After one (1) year but not more than five (5) years	19,822,122	38,575,632	37,458,747
	27,081,936	45,765,003	44,474,018

Note 17 - Salaries and employee benefits

Details of salaries and employee benefits for the years ended December 31 are as follows:

	2017	2016	2015
Salaries and wages	2,929,759	4,396,887	2,790,743
Employee benefits	2,413,743	1,121,890	737,443
Bonus and allowances	245,575	242,067	203,625
SSS, Philhealth and HDMF	108,845	143,206	135,681
	5,697,922	5,904,050	3,867,492

Note 18 - Gains (losses) on disposal of assets

Details of gains (losses) resulting from the disposal of the following assets for the years ended December 31 area as follows:

	Notes	2017	2016	2015
Securities	3	13,500	62,395	-
Investment in an associate	5	-	-	59,693
Investment properties	7	-	-	(2,360,000)
		13,500	62,395	(2,300,307)

Note 19 - Foreign currency denominated monetary asset and liabilities

The Group's foreign currency denominated monetary asset and liabilities for the years ended December 31 are as follows:

	2017		2016		2015	
	In USD	In HKD	In USD	In HKD	In USD	In HKD
Cash in bank	87,662	-	127,378	-	2,818	-
Borrowings	-	(19,000,000)	(426,666)	(19,000,000)	(3,039,158)	(23,910,492)
Accrued interest	-	(7,528,394)	-	(6,014,794)	(2,648,667)	(9,989,421)
Total	87,662	(26,528,394)	(299,288)	(25,014,794)	(5,685,007)	(33,899,913)
Exchange rates	49.9230	6.3882	49.8000	6.4212	47.0600	6.0857
Peso equivalent	4,376,350	(169,468,687)	(14,904,542)	(160,624,995)	(267,536,429)	(206,304,701)

Details of net foreign exchange losses (gains) for the years ended December 31 are as follows:

	2017	2016	2015
Realized	(71,363)	(453,258)	3,839,866
Unrealized	(820,144)	9,037,062	17,821,824
	(891,507)	8,583,804	21,661,690

Note 20 - Provision for litigation claims

In the normal course of business, the Parent Company is a defendant on a case which is pending with the Court of Appeals. The case arose from a demand for payment of minimum guaranteed return on investment by a former co-shareholder of the Parent Company in a fast craft shipping business. Details of this pending case follow:

The plaintiff (one of the co-shareholders) violated a number of the terms as stipulated under the agreement, including a direct purchase of the shares of the other shareholder without the consent of the Parent Company. The agreement also contains a provision about guaranteed return.

In 1999, the plaintiff demanded full payment of the guaranteed return on its investment after audits of the fast craft business revealed a significant amount of loss, which demand was denied by the Parent Company.

After divergent decisions by the arbitrator and regional trial court, the case was transferred to the Court of Appeals for further proceedings. In 2013, the Parent Company recorded additional provision amounting to P21.61 million to reflect the final decision rendered by the Court of Appeals instructing the Parent Company to pay the agreed guaranteed returns and arbitration costs including 12% interest calculated from the date of initial ruling totaling to P47.77 million as shown in the consolidated statement of financial position.

As at December 31, 2017 and 2016, management is still assessing other legal remedies available to settle the case.

Note 21 - Contingency

In the normal course of business, the Parent Company has a contingency arising from claim which is presently being contested. Based on management's assessment, the disposition of this contingency will have no significant impact on its financial statements. The details of this claim have not been disclosed as this might be prejudicial to the position of the Parent Company.

Note 22 - Segment information

The Group has only one segment as it derives its revenues primarily from rental and capital appreciation of investment properties.

Significant information on the reportable segment is as follows:

	2017	2016
Operating assets	1,687,169,383	1,649,011,675
Operating liabilities	528,612,904	514,126,077
Revenue and income	47,851,192	96,506,625
Other income	6,811,616	21,006,048
Costs and expenses	26,261,443	54,385,838
Segment net income	23,549,961	58,346,778

All revenues are from domestic entities incorporated in the Philippines, hence, the Group did not present geographical information required by PFRS 8, *Operating Segments*.

There are no revenues derived from a single external customer above 10% of total revenue in 2017 and 2016.

There is no need to present reconciliation since measure of segment assets, liabilities and results of operations are consistent with those of the financial statements.

There are no changes in the Group's reportable segment and related strategies and policies in 2017 and 2016.

Note 23 - Financial risk and capital management

23.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Management, under the direction of the Board of Directors of the Group, is responsible for the management of financial risks. Its objective is to minimize the adverse impact on the Group's financial performance due to the unpredictability of financial markets.

There were no changes in the Group's strategies and policies during 2017 and 2016.

23.1.1 Market risk

(a) Foreign exchange risk

The foreign exchange risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group manages its foreign exchange risk by constantly reviewing its exposure to commitments payable in foreign currency and ensuring appropriate cash balances are maintained to meet current commitments.

As at December 31, 2017 and 2016, the Group's exposure to currency risk relates to the foreign currency denominated cash in bank and borrowings (Note 19).

The table below presents the impact of possible movements of Philippine Peso against the US Dollar and Hongkong Dollar, with all other variables held constant, on the Parent Company's net income after tax. There is no impact on the Parent Company's equity other than those already affecting net income after tax.

	Change in exchange rate	Impact on income after tax
As at December 31, 2017		
US Dollar	+/-6.13%	(270,845)
Hongkong Dollar	+/-5.72%	(9,820,812)
As at December 31, 2016		
US Dollar	+/-3.91%	(2,247,979)
Hongkong Dollar	+/-5.51%	(3,167,868)

The reasonably possible movement in foreign currency exchange rates is based on the projection by the Parent Company using movement of the rates from the prior period.

(b) Price risk

The Group's exposure on price risk is minimal and limited only to investments classified as at fair value through profit or loss (Note 3), investment properties (Note 7) and available-for-sale financial assets presented under other non-current assets in the consolidated statement of financial position. Changes in market prices of these investments are not expected to impact significantly the financial position or results of operations of the Group.

(c) Interest rate risk

Interest rate risk refers to risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest-bearing financial instruments include notes receivable (Note 4) and borrowings (Note 9). These financial instruments are not exposed to fair value interest rate risk as these are carried at amortized cost. Likewise, these instruments are not exposed to variability in cash flows as these carry fixed interest rates.

23.1.2 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Group by failing to discharge an obligation.

Maximum exposure to credit risk

The Group's exposure to credit risk primarily relates to cash in banks and financial receivables.

The table below shows the credit quality of significant financial assets (i.e., cash in banks and financial receivables as at December 31:

	Fully performing	Past due but not impaired
2017		
Cash in banks	5,605,679	-
Notes and other receivables	3,000,000	193,021,880
	8,605,679	193,021,880
2016		
Cash in banks	30,034,875	-
Notes and other receivables	-	167,236,299
	30,034,875	167,236,299

(i) Cash in banks

The Group deposits its cash balances in a universal bank to minimize the credit risk exposure.

(ii) Notes and other receivables

As at December 31, 2017, notes and other receivables amounting to P193.02 million (2016 - P167.24 million) were deemed past due but not impaired and not subject to any provision for impairment. The age of these receivables is more than 180 days. These significantly relate to notes receivable from IRC which management believes to be recoverable given ongoing developments and business prospects of IRC with a leading local real estate developer. Moreover, it also expects IRC to generate positive returns on its investments when large scale development commences. Due from related parties, and advances and other receivables are monitored on an ongoing basis which normally results in an assessment that the Group's exposure to bad debts is not material.

23.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding through advances from related parties within the Group, extending payment terms for due to related parties, and an efficient collection of its notes receivables from third parties. The Group likewise regularly evaluates other financing instruments to broaden the Group's range of financing resources.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Balances due within 12 months approximate their carrying balances, as the impact of discounting is not significant.

	0 - 90 days	91 - 180 days	181 - 360 days	Total
As at December 31, 2017				
Borrowings	-	-	135,054,491	135,054,491
Accounts payable and accrued expenses*	5,339,446	-	37,428,760	42,768,206
Advances from related parties	-	-	17,439,760	17,439,760
Future interest payable	2,459,457	2,459,457	4,918,914	9,837,828
	7,798,903	2,459,457	194,841,925	205,100,285
As at December 31, 2016				
Borrowings	-	-	135,627,442	135,627,442
Accounts payable and accrued expenses*	25,610,063	-	9,482,796	35,092,859
Advances from related parties	-	-	14,915,116	14,915,116
Future interest payable	7,508,109	7,508,109	15,016,218	30,032,436
	33,118,172	7,508,109	175,041,572	215,667,853

**This excludes taxes payable and deferred rental income.*

All financial assets and liabilities are classified as current as at reporting dates except for available-for-sale financial assets.

23.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to support the property development plans of IRC and to maintain an optimal capital structure to reduce the cost of capital. For this purpose, capital is represented by total equity as shown in the consolidated statement of financial position, as well as deposit for future share subscriptions presented under liabilities as follows:

	2017	2016
Total equity	1,158,556,479	1,134,885,598
Deposit for future share subscriptions	194,695,274	194,695,274
	1,353,251,753	1,329,580,872

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt.

Given the absence of development activities undertaken by the Group, it does not require intensive capitalization as at December 31, 2017 and 2016. The Group's main objective is to ensure it has adequate funds moving forward to support the ongoing development plans of IRC.

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, PSE requires listed entities to maintain a minimum of ten percent (10%) of their issued and outstanding shares, exclusive of any treasury shares, held by the public. The Group has fully complied with this requirement.

There are no external minimum capitalization requirements imposed to the Group.

There were no changes in the Group's strategies and policies during 2017 and 2016.

23.3 Fair value of financial assets and liabilities

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities as at December 31 as follows:

	2017		2016	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Fair value through profit or loss	1,982,245	1,982,245	2,268,490	2,268,490
Loans and receivables				
Cash	5,620,579	5,620,579	30,049,875	30,049,875
Notes and other receivables	196,021,880	196,021,880	167,236,299	167,236,299
Refundable deposits	-	-	3,500	3,500
Available-for-sale financial assets	83,531	83,531	143,440	143,440
Total assets	203,708,235	203,708,235	199,701,604	199,701,604
Financial liabilities at amortized cost				
Borrowings	135,054,491	135,054,491	135,627,442	135,627,442
Accounts payable and other current liabilities*	42,768,206	42,768,206	35,092,859	35,092,859
Advances from related parties	17,439,760	17,439,760	14,915,116	14,915,116
Total liabilities	195,262,457	195,262,457	185,635,417	185,635,417

**This excludes taxes payable and deferred rental income.*

These carrying amounts approximate fair values at reporting dates due to the short-term nature of financial assets and liabilities.

23.4 Fair value hierarchy

The Group follows the fair value measurement hierarchy to disclose the fair values of its financial assets and liabilities. As at December 31, 2017 and 2016, the Group's financial assets at fair value through profit or loss and available-for-sale financial assets are classified under Level 1 while investment properties are classified under Level 2 category. The Group uses the market approach for its investment properties. The value of the investment properties was based on sales and listings of comparable property registered within the vicinity premised on the factors of time, unit area/size, unit location, unit improvements, building location, building feature/amenities, bargaining allowance and others.

Note 24 - Critical accounting estimate and judgments

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.

24.1 Critical accounting estimate

Estimate of fair value of investment properties (Note 7)

The Group's investment properties have an estimated market value of P102,430 per square meter as at December 31, 2017 (2016 - P95,290 per square meter) based on the following significant assumptions used by the independent appraiser.

- current prices in an active market for properties of similar nature, condition or location, adjusted to reflect possible differences; and
- recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

Investment properties in 2017 amounted to P335.61 million (2016 - P320.45 million). Where the estimated market value differs by 10% from management's estimates, the carrying amount of investment properties would have been P33.56 million (2016 - P32.05 million) higher or lower.

24.2 Critical accounting judgments

(a) Recoverability of notes and receivables (Note 4)

The allowance for impairment of notes and other receivables is based on the Group's assessment of the collectibility of payments from related party based on status of notes and other receivables, past collection experience and other factors that may affect collectibility. This assessment required judgment regarding the outcome of disputes and the ability of the related party to pay the amount to the Group.

If the loans and receivables that are past due but not impaired were provided an allowance, the Group would incur an additional expense of P193.02 million in its 2017 consolidated financial statements (2016 - P167.24 million). However, management believes that the carrying amount of loans and receivables at reporting dates is collectible given the ongoing development prospects of IRC and other factors discussed in (c).

(b) Recognition of deferred income tax assets (Note 13)

Management reviews at each reporting date the carrying amounts of deferred income tax assets. The carrying amount of deferred income tax assets is reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the related tax assets can be utilized.

Management believes that the non-recognition of deferred income tax assets from NOLCO and MCIT amounting to P14.68 million (2016 - P19.20 million) is appropriate due to the Parent Company's limited capacity to generate sufficient taxable income in the immediately succeeding three to five years given current development activities.

(c) Recoverability of investment in subsidiaries and IRC (Note 5)

Management believes that the carrying amount of its investment in IRC is fully recoverable due to a number of factors, which include among others, the following:

1) IRC has 513 hectares of land held for development and capital appreciation in Binangonan Rizal. Portion of the property is currently being cleared/developed with the resulting fair value expected to generate repayment funds. Currently, the property is valued at P1,100 per square meter.
2) IRC's P399 million proceeds from stock rights offering in 2010 and recent issuance in 2016 amounting to P280 million are being utilized to support ongoing development.
3) In 2016, IRC signed a sale agreement with a leading local real estate developer relative to the acquisition of a portion of the 2,200-hectare Binangonan lot with total contact price of P24.97 million. The Parent Company believes that the entry of this leading local real estate developer will jumpstart the development of a new mixed-use community south of Metro Manila. Clearing and retitling is ongoing for the remaining large portion of the land to make it ready for future developments.
4) IRC has 1,700 hectares more in its landbank that is potentially a revenue stream that would allow repayment.

The Parent Company's investment in subsidiaries is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable.

In 2016, the Group made recovery of its allowance for impairment amounting to P37.86 million.

Management believes that the carrying amount of its investment in subsidiaries and IRC as at December 31, 2017 and 2016 is recoverable.

(d) Entities in which the Group holds less than 50% interest (Note 25.3)

Management consider that the Parent Company has de facto control over TAC, MAC, TTCI and TPHC even though it has less than 50% of the voting rights. There is no history of other shareholders forming a group to exercise their votes collectively. Based on the absolute size of the Parent Company's shareholding and the relative size of the other shareholdings, management has concluded that the Parent Company has sufficiently dominant voting interest to have the power to direct the relevant activities of these entities. Consistent with PFRS 10, the entities have been fully consolidated into the Group's consolidated financial statements. Management has assessed the level of influence that the Group has on IRC and determined that it has significant influence with an ownership of 29.62% in 2017 (2016 - 28.44%) and control has not been established. Consequently, this investment has been classified as an associate.

(e) Impairment of investment properties (Note 7)

The Group's investment properties were tested for impairment where the recoverable amount was determined using the market approach. The value of the investment properties was based on sales and listings of comparable property registered within the vicinity premised on the factors of time, unit area/size, unit location, unit improvements, building location, building feature/amenities, bargaining allowance and others which management believes are reasonable.

The carrying amount of investment properties amounted to P335.61 million as at December 31, 2017 (2016 - P320.45 million). No impairment loss was recognized on investment properties for the years ended December 31, 2017 and 2016.

(f) Provision for litigation claims (Note 20)

The Parent Company is a party to certain lawsuits or claims arising from the ordinary course of business. The provision for litigation claims is based on the final decision rendered by the Court of Appeals. The Parent Company's management and legal counsel believe that the liabilities under these lawsuits or claims will not have a material impact on the Group's consolidated financial statements. The Group's provision for litigation claims amounted to P47.77 million as at December 31, 2017 and 2016 and is shown as a separate line item in the consolidated statement of financial position.

(g) Contingency (Note 21)

The Parent Company is currently involved in a disputed claim. Management currently believes, in consultation with its legal counsels, that the ultimate outcome of the proceeding will not have a material effect on the Group's consolidated financial statements. It is possible, however, that future results of operations could materially be affected by changes in the estimate in the final outcome of the proceedings.

Note 25 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

25.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, investment properties and available-for-sale financial assets.

The preparation of consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements as disclosed in Note 24.

25.2 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The following amendments and improvements to existing standards and interpretations are effective for the financial year beginning on January 1, 2017 which are relevant to the Company's financial statements:

- *PAS 7, 'Transition disclosure'* (effective January 1, 2017), requires the Company to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealized exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities (e.g. for assets that hedge liabilities arising from financing liabilities). The Company may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation, however, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated. The Company has borrowings arising from financing activities and the related disclosure on changes arising from such activities is included in Note 9.

(b) New standards, amendments and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

- *PFRS 9, 'Financial Instruments',* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on January 1, 2018:

  There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from PAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

  There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from PAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. Changes in the fair value of foreign exchange forward contracts attributable to forward points, and in the time value of the option contracts, will in future be deferred in a new costs of hedging reserve within equity. The deferred amounts will be recognised against the related hedged transaction when it occurs. The Group does not currently have any hedge relationship that may be affected by this change.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under PAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under PFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect any increase in the loss allowance for trade creditors and debt investments held at amortised cost.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group's initial assessment of PFRS 9's potential impact on its consolidated financial statements provides that it would change the classification of its financial assets but it will not affect the measurement of its current types of financial assets. The Group will continue its assessment and finalize the same upon effective date of the new standard.

- *PFRS 15, 'Revenue from Contracts with Customers',* deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces PAS 18 'Revenue' and PAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Group's initial assessment of PFRS 15's potential impact to its consolidated financial statements provides that its current revenue recognition will not be significantly affected. The Group may expound its disclosures on revenue recognition but does not foresee any significant impact in adopting PFRS 15.

- *PFRS 16, 'Leases'*, is the new standard for lease accounting that will replace PAS 17, 'Leases'. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with the standard's approach to lessor accounting substantially unchanged from PAS 17. The standard is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted, but only in conjunction with PFRS 15, 'Revenue from Contracts with Customers'. In order to facilitate transition, entities can choose a simplified approach that includes certain reliefs related to the measurement of the right-of-use asset and the lease liability, rather than full retrospective application; furthermore, the 'simplified approach' does not require a restatement of comparatives. In addition, as a practical expedient, entities are not required to reassess whether a contract is, or contains, a lease at the date of initial application (that is, such contracts are "grandfathered"). The Group is a lessor on all of its lease agreements, hence, the adoption of the standard will not impact the Group's consolidated financial statements.

25.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2017 and 2016. The subsidiaries' financial statements are prepared for the same reporting year as the Parent Company. The Group uses uniform accounting policies, any difference between subsidiaries and the Parent Company are adjusted properly.

Details of subsidiaries are as follows:

Subsidiaries	Percentage of ownership in 2017 and 2016		
	Direct	Indirect	Total
T&M Holdings, Inc. (TMHI)	100.00%	-	100.00%
M&M Holdings Corporation (MMHC)	100.00%	-	100.00%
The Angeles Corporation (TAC)*	38.46%	15.02%	53.48%
The Taal Company, Inc. (TTCI)*	29.97%	14.49%	44.46%
Mindanao Appreciation Corporation (MAC)*	28.51%	13.98%	42.49%
Tagaytay Properties and Holding Corporation (TPHC)*	26.04%	-	26.04%

**With significant control or power to govern*

All subsidiaries are domestic companies registered and doing business in the Philippines and are principally engaged in the business of acquiring and disposing of interests in real and personal properties of any kind or description, marketable securities and shares of stock. The subsidiaries' registered office and principal place of business is at 35th Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the Parent Company do not differ from the proportion of ordinary shares held.

The summarized financial information of subsidiaries with significant non-controlling interest as at and for the years ended December 31 are as follows:

2017	TPHC	MAC	TTCI	TAC
		(In thousands of Pesos)		
Total current assets	12,651	19,183	21,225	2,725
Total non-current assets	272,687	18,784	20,620	-
Total assets	285,338	37,967	41,845	2,725
Total current liabilities	(41,128)	(31,503)	(4,692)	(11,284)
Total non-current liabilities	(72,452)	-	(5,778)	-
Total liabilities	(113,580)	(31,503)	(10,470)	(11,284)
Net assets (liabilities)	171,758	6,464	31,375	(8,559)
Income	10,080	-	134	-
Expenses	(1,359)	(65)	(440)	(58)
Income (loss) before tax	8,721	(65)	(306)	(58)
Provision for income tax	(2,874)	-	(40)	-
Net income (loss) for the year	5,847	(65)	(346)	(58)
Other comprehensive loss	28	(9,253)	(3)	-
Total comprehensive income (loss)	5,875	(9,318)	(349)	(58)
Cash flows from:				
Operating activities	(500)	2	78	27
Investing activities	1	-	-	-
Financing activities	-	-	-	-
Net cash inflow (outflow)	(499)	2	78	27

2016	TPHC	MAC	TTCI	TAC
		(In thousands of Pesos)		
Total current assets	13,800	19,247	21,641	2,700
Total non-current assets	263,141	28,037	20,486	-
Total assets	276,941	47,284	42,127	2,700
Total current liabilities	(41,470)	(31,502)	(4,666)	(11,202)
Total non-current liabilities	(69,589)	-	(5,738)	-
Total liabilities	(111,059)	(31,502)	(10,404)	(11,202)
Net assets (liabilities)	165,882	15,782	31,723	(8,502)
Income	15,342	4,522	7,742	-
Expenses	(2,852)	(1,370)	(207)	(56)
Income (loss) before tax	12,490	3,152	7,535	(56)
Provision for income tax	(4,438)	(601)	(244)	-
Net income (loss) for the year	8,052	2,551	7,291	(56)
Other comprehensive loss	(7)	(867)	-	-
Total comprehensive income (loss)	8,045	1,684	7,291	(56)
Cash flows from:				
Operating activities	(2,581)	21,650	(2,238)	(9)
Investing activities	537	-	-	-
Financing activities	-	(21,569)	-	-
Net cash inflow (outflow)	(2,044)	81	(2,238)	(9)

	TPHC	MAC	TTCI	TAC	Total
Accumulated balance of non-controlling interest	(In thousands of Pesos)				
December 31, 2017	118,391	3,550	20,871	(4,566)	138,246
December 31, 2016	114,038	3,587	21,063	(4,539)	134,149

	TPHC	MAC	TTCI	TAC	Total
Non-controlling interest share in total comprehensive income (loss)	(In thousands of Pesos)				
December 31, 2017	4,345	(5,360)	(193)	(27)	(1,235)
December 31, 2016	5,950	1,204	5,106	(34)	12,226

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. These are deconsolidated from the date that control ceases.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies 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 Group controls another entity. The Group also assesses the existence of control where it does not have more than 50% of the voting power but is able to govern the financial reporting and operating policies by virtue of de facto control. De facto control may arise in circumstances where the size Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is not accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

TPHC holds interests in the companies listed above namely: (1) The Angeles Corporation, 57.69%; (2) The Taal Company, Inc., 55.64%; and (3) Mindanao Appreciation Corporation, 53.68%.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions-that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. Distributions received are treated as a reduction to the investment in the period wherein the right to receive such distribution arises. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit (loss) of an associate' in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognized in profit or loss. Investment in subsidiaries and associates are derecognized upon disposal. Gains and losses on disposals of these investments are determined by comparing the proceeds with the carrying amount and are included in profit or loss.

25.4 Cash

Cash consist of cash on hand and deposits at call with banks. These are stated at face value or nominal amount.

25.5 Financial instruments

25.5.1 Classification

The classification depends on the purpose for which the financial assets and liabilities were acquired. Management determines the classification of its financial assets and liabilities at initial recognition. The Group classifies its financial assets and liabilities according to the categories described as follows.

(a) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The Group holds financial assets classified as at fair value through profit or loss, loans and receivables and available-for-sale financial assets as at December 31, 2017 and 2016.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets if expected to be settled within twelve (12) months; otherwise, these are classified as non-current.

The Parent Company's investment in listed equity shares are classified under this category (Note 3).

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the reporting date, which are then classified as non-current assets.

The Group's loans and receivables comprise cash (Note 2) and notes and other receivables (Note 4).

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. These are included in non-current assets unless management intends to dispose of the investment within twelve (12) months from the reporting date.

The Group's available-for-sale financial assets are classified under other non-current assets in the consolidated statement of financial position.

(b) Financial liabilities

The Group classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that designated at fair value); and financial liabilities at amortized cost.

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortized cost.

The Group's accounts payable and other current liabilities (excluding taxes payable and deferred rental income) (Note 8), borrowings (Note 9), and advances from related parties (Note 15) are classified under financial liabilities at amortized cost.

25.5.2 Recognition and measurement

(a) Initial recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date - the date on which the Group commits to purchase or sell the asset. Financial assets and liabilities not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs. Financial assets and liabilities carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are recognized as expense in profit or loss.

(b) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method. Financial liabilities are measured at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss, including interest and dividend income and interest expense, are presented in profit or loss within 'Unrealized gain (loss) on securities' in the period in which these arise. Dividend income from financial assets at fair value through profit and loss is recognized in profit or loss as separate line item when the Group's right to receive payment is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in profit or loss as “Gains and losses from investment securities’.

25.5.3 Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(a) Financial assets at fair value through profit and loss and available-for-sale financial assets

In the case of equity investments classified as financial assets at fair value through profit and loss and available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. Generally, the Group treats 20% or more as ‘significant’ and greater than 12 months as ‘prolonged’. If any of such evidence exists the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss.

(b) Loans and receivables

For loans and receivables category, the Group first assesses whether objective evidence of impairment exists individually for receivables that are individually significant, and collectively for receivables that are not individually significant using the criteria above. If the Group determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses those for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Reversals of previously recorded impairment loss are based on the result of management’s update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period. Subsequent recoveries of amounts previously written-off are credited against expenses in profit or loss.

25.5.4 Derecognition

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognized when extinguished, i.e., when the obligation is discharged or is cancelled, expires, or paid.

25.5.5 Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty. There are no offsetting arrangements as at December 31, 2017 and 2016.

25.6 Notes and other receivables

Notes and other receivables represent claims for which formal instruments of credit are issued as evidence of debt, such as a promissory note. The credit instrument normally requires the debtor to pay interest and extends for time periods.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Relevant accounting policies for classification, recognition, measurement and derecognition of notes and other receivables are presented in Note 25.5.

25.7 Prepayments

Prepayments are recognized in the event that payment has been made in advance of obtaining right of access to receipt of services and measured at the amount of cash paid, which is equal to its nominal amount. Prepayments are derecognized in the consolidated statement of financial position as these expire with the passage of time or consumed in operations.

Prepayments are included in current assets, except when the related services are expected to be received or rendered for more than twelve months after the end of the reporting period, in which case, these are classified as non-current assets.

25.8 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation, amortization and impairment, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which these are incurred.

Depreciation or amortization is calculated using the straight-line method over the estimated useful lives of the related assets as follows:

Office condominium	25 years
Building improvements	10 years
Office equipment	5 years
Communication and other equipment	5 years
Transportation equipment	5 years
Furniture and fixtures	3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use (Note 25.11).

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost, appraisal increase and their related accumulated depreciation are removed from the accounts. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in profit or loss.

25.9 Investment properties

Investment properties are defined as property held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the common course of business.

Investment properties, principally comprising of land and a freehold office buildings, are held for long-term rental yields and are not occupied by the Group. Investment properties are carried at fair value, representing open market value determined annually by external valuators. Changes in fair values are recorded in profit or loss.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the period in which these are incurred.

Removal of an item within investment properties is triggered by a change in use, by sale or disposal.
If investment properties become owner-occupied, they are reclassified as property and equipment, and the fair value at the date of reclassification becomes the cost for accounting purposes. Gain or loss arising on disposal is calculated as the difference between any disposal proceeds and the carrying amount of the related asset. This is recognized in profit or loss.

Properties that are being constructed or developed for future capital appreciation are classified as investment properties.

Impairment of investment properties is presented in Note 25.11.

25.10 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

The Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques for non-financial assets are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Group's financial assets at fair value through profit or loss and available-for-sale financial assets are classified under Level 1 category. Investment properties are classified under Level 2 category.

25.11 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that have definite useful life are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill for which an impairment loss has been recognized are reviewed for possible reversal of the impairment at each reporting date. An allowance is set-up for any substantial and presumably permanent decline in value of investments.

25.12 Accounts payable and other current liabilities

Accounts payable and other current liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable and other current liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, these are presented as non-current liabilities.

Accounts payable and other current liabilities are measured at the original invoice amount as the effect of discounting is immaterial.

Relevant accounting policies for classification, recognition, measurement and derecognition of accounts payable and other current liabilities and financial liabilities at amortized cost are presented in Note 25.5.

25.13 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds net of transaction costs and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting date.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. All other borrowing costs are expensed as incurred.

25.14 Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred income tax liability arises from the initial recognition of goodwill. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associate. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis.

Deferred income tax assets and liabilities are derecognized when related bases are realized or when it is no longer realizable.

25.15 Employee benefits

(a) Retirement benefit obligation

The Parent Company has less than 10 employees and has not yet formalized its employee retirement plan but it plans to provide retirement benefits. The retirement benefits under RA 7641 are considered as defined benefit plan. Defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The retirement obligation is equivalent to half-month compensation and calculated proportionately to the length of service of an employee. The amount is recorded under accounts payable and other current liabilities in the statement of financial position

(b) Other short-term benefits

The Parent Company recognizes a liability and an expense for short-term employee benefits which include salaries, social security contributions, paid sick and vacation leaves. The Parent Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Liabilities for short-term employee benefits are derecognized when the obligation is settled, cancelled or has expired.

25.16 Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

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. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are derecognized when the obligation is settled, cancelled or has expired.

25.17 Deposit for future share subscriptions

Deposit for future share subscriptions represents amounts received from shareholder which will be settled by way of issuance of the Parent Company's own shares at a future date. These are recognized upon receipt of cash and measured at face value or nominal amount.

Deposits for future share subscriptions are derecognized once share has been issued or the shareholder cancels the subscription.

25.18 Equity

(a) Common shares

Share capital consists of common shares, which are stated at par value, that are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

(b) Share premium

Share premium is recognized for the excess proceeds of subscriptions over the par value of the shares issued.

(c) Treasury shares

Where any member of the Group purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Parent Company's shareholders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Parent Company's shareholders.

(d) Retained earnings

Retained earnings include current and prior years' results of operations, net of transactions with shareholders and dividends declared, if any.

25.19 Earnings per share

Basic earnings per share is calculated by dividing net income attributable to the Parent Company by the weighted average number of common shares in issue during the year.

Diluted earnings per share is computed in the same manner as basic earnings per share, however, profit attributable to common shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

25.20 Revenue and expense recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. The Group recognizes revenue when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow to the Group and specific criteria have been met for each of its activities as described as follows. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Rental income

Rental income from operating leases (the Group is the lessor) is recognized as income on a straight-line basis over the lease term. When the Group provides incentives to its lessees, the cost of incentives are recognized over the lease term, on a straight-line basis, as a reduction of rental income.

(b) Interest income and expense

Interest income and expense are recognized in profit or loss for all interest-bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss.

(c) Dividend income

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

(d) Other income

Other income is recognized when earned.

(e) Expenses

Expenses are recognized when these are incurred.

25.21 Leases

(a) The Group is the lessor

Properties leased out under operating leases are included in "Investment properties" in the consolidated statement of financial position. Rental income under operating leases is recognized in profit or loss on a straight-line basis over the period of the lease.

(b) The Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

When the Group enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset or is dependent on the use of a specific asset or assets, the Group assesses whether the arrangement is, or contains, a lease. The Group does not have such arrangements.

25.22 Foreign currency transactions and translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions or valuation where items are measured. Foreign exchange 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 profit or loss.

25.23 Related party relationships and transactions

(a) Related party relationship

A related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its shareholders.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

(b) Related party transaction

Related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party regardless of whether a price is charged or not.

25.24 Contingency

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

25.25 Subsequent events

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

Mabuhay Holdings Corporation

Schedule of Philippine Financial Reporting Standards
Effective as at December 31, 2017

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

		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*		✓	
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*		✓	

		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 9, PFRS 7 and PAS 39: Hedge Accounting*		✓	
	Amendments to PFRS 9 and PFRS 7: Mandatory Effective Date and Transition Disclosures*		✓	
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments*		✓	
	Amendments to PFRS 9, PFRS 7 and PAS 39: Hedge Accounting*		✓	
	Amendments to PFRS 9 and PFRS 7: Mandatory Effective Date and Transition Disclosures*		✓	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*		✓	
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Acquisition of an Interest in a Joint Operation			✓

		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities			✓
	Amendment to PFRS 12: Clarification on the scope of the standard			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*		✓	
	Amendments to PFRS 15: Clarifications to PFRS 15*		✓	
PFRS 16	Leases*		✓	
PFRS 17	Insurance contracts*			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 16 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses		✓	
PAS 16	Property, Plant and Equipment	✓		

		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Contributions from Employees or Third Parties			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Use of Equity Method in Separate Financial Statements			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures			✓
	Amendments of PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contributions of Assets between an Investor and its Associate or Joint Venture*		✓	
	Amendment to PAS 28: Measuring an associate or joint venture at fair value*			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures*			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization			✓
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: Eligible Hedged Items			✓
	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 IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendments to PAS 39: Novation of Derivatives			✓

		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 9, PFRS 7 and PAS 39: Hedge Accounting*			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Transfers of Investment Property*		✓	
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: 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 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate*		✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓

		Adopted	Not Adopted	Not Applicable
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration*		✓	
IFRIC 23	Uncertainty over Income Tax Treatments*			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

The standards, amendments and interpretations marked with an asterisk (*) have been issued but are not yet effective for December 31, 2017 financial statements.

The standards, amendments and interpretations that are labeled as “Not Applicable” are already effective as at December 31, 2017 but will never be relevant/applicable to the Company or are currently not relevant to the Company because it has currently no related transactions.

Mabuhay Holdings Corporation
35th Floor, Rufino Pacific Tower
6784 Ayala Avenue, Makati City

Reconciliation of Parent Company's Retained Earnings for Dividend Declaration
For the year ended December 31, 2017
(All amounts in Philippine Peso)

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		(514,662,273)
Net income during the period closed to Retained Earnings	9,540,421	
Less: Non-actual/unrealized income net of tax		
Equity in Net income of associate/joint venture		
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	(815,764)	
Unrealized actuarial gain		
Fair value adjustment (mark-to-market gains)		
Fair value adjustment of Investment Property resulting to gain		
Adjustment due to deviation from PFRS/GAAP-gain		
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS		
Subtotal	(815,764)	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)		
Unrealized foreign exchange loss - net except (Cash and Cash Equivalents)		
Adjustment due to deviation from PFRS/GAAP - loss		
Unrealized fair value adjustment (mark-to-market loss)		
Loss on fair value adjustment of investment property (after tax)		
Subtotal	-	
Net income actually incurred during the period		8,724,657
Add (Less):		
Dividend declarations during the period		
Appropriations of Retained Earnings during the period		
Reversals of appropriations		
Treasury shares		
		-
Total Retained Earnings available for dividends, ending		(505,937,616)

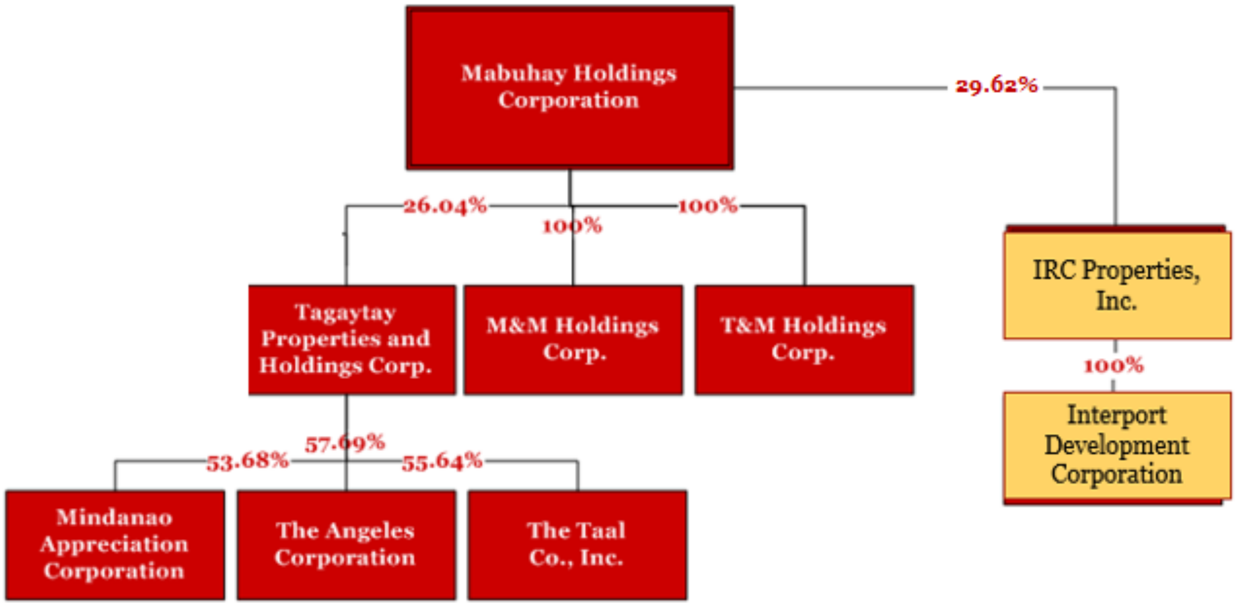
Mabuhay Holdings Corporation and Subsidiaries

Financial Soundness Indicators
December 31, 2017 and 2016

	2017	2016
Net profit ratio	1.0471	.8483
Return on asset	.0140	.0342
Return on equity	.0203	.0528
Current ratio	.4695	.4676
Acid test ratio	.4634	.4644
Debt to equity	.4563	.4530
Debt to asset	.3133	.3118
Asset to equity	1.4563	1.4530
Interest coverage	3.8545	3.2038
Earnings per share	.0200	.0481

Mabuhay Holdings Corporation and Subsidiaries

Map of the Group of Companies within which the Reporting Entity Belongs
December 31, 2017



Mabuhay Holdings Corporation and Subsidiaries

Schedule A. Financial Assets
December 31, 2017

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
Phil. Realty A	1,900,000	1,178,000	1,178,000	-
Basic Energy Corp.	1,110,000	248,640	248,640	-
RFM Corporation	40,000	198,800	198,800	-
Filinvest Land, Inc.	84,250	158,390	158,390	-
Ayala Corporation	69	70,035	70,035	-
Cosco Capital, Inc.	5,000	38,500	38,500	-
BDO Unibank, Inc.	147	24,108	24,108	-
Greenergy H./Musx Corp.	62,300	23,051	23,051	-
F. Estate Land Inc.	6,850	9,796	9,796	-
Swift Food Inc.	44,621	5,979	5,979	-
GMA Network, Inc.	1,000	5,840	5,840	-
United P. Mining Corp.	750,000	4,950	4,950	-
Uniwide Holdings, Inc.	1,410,000	4,950	4,950	-
National Reinsurance Corp.	5,000	4,800	4,800	-
Swift Food Inc. (Preference)	1,759	3,729	3,729	-
Filipino Fund Inc.	330	2,541	2,541	-
Manila Mining Corp. (B)	9,551	96	96	-
Manila Mining Corp. (A)	4,345	40	40	-
Total		1,982,245	1,982,245	-

Mabuhay Holdings Corporation and Subsidiaries

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and
Principal Stockholders (Other Than Related Parties)
December 31, 2017

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
South China Holdings Corporation	332,237	98,771	-	-	413,008	-	413,008
Philippine Strategic Intl. Holdings, Inc.	159,404	-	(67,322)	-	92,082	-	92,082
Intrinsic Value Management Ltd.	171,702	9,830	-	-	181,532	-	181,532
IRC Properties, Inc.	164,255,434	29,382,701	-	-	193,638,135	-	193,638,135
	164,918,777	29,491,302	(67,322)	-	194,324,757	-	194,324,757

Mabuhay Holdings Corporation and Subsidiaries

Schedule C. Amounts Receivable from Related Parties which are Eliminated
during the Consolidation of the financial statements
December 31, 2017

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Mabuhay Holdings Corporation	192,720,765	25,168	-	-	192,745,933	-	192,745,933
Mindanao Appreciation Corporation	18,906,488	-	(66,052)	-	18,840,436	-	18,840,436
M&M Holdings Corporation	68,271,561	-	(100)	-	68,271,461	-	68,271,461
The Angeles Corporation	2,638,750	-	-	-	2,638,750	-	2,638,750
T&M Holdings, Inc.	279,108	33,605	-	-	312,713	-	312,713
Tagaytay Properties Holdings Corporation	6,634,491	150,948	(1,401,399)	-	5,384,040	-	5,384,040
The Taal Company, Inc.	15,611,815	-	(477,579)	-	15,134,236	-	15,134,236
Total	305,062,978	209,721	(1,945,130)	-	303,327,569	-	303,327,569

Mabuhay Holdings Corporation and Subsidiaries

Schedule D. Intangible Assets - Other Assets
December 31, 2017

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
		NONE				

Mabuhay Holdings Corporation and Subsidiaries

Schedule E. Long-term debt
December 31, 2017

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet"
NONE			

Mabuhay Holdings Corporation and Subsidiaries

Schedule F. Indebtedness to related parties (Long-term loans from Related Companies)
December 31, 2017

Name of related party	Balance at beginning of period	Balance at end of period
NONE		

Mabuhay Holdings Corporation and Subsidiaries

Schedule G. Guarantees of Securities of Other Issuers
December 31, 2017

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
		NONE		

Mabuhay Holdings Corporation and Subsidiaries

Schedule H. Capital Stock
December 31, 2017

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
COMMON SHARES	4,000,000,000	1,200,000,000	-	10,629,400	1,641	1,189,368,959