CR02850-2018

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended
   Dec 31, 2017
2. SEC Identification Number
   165539
3. BIR Tax Identification No.
   000-157-237
4. Exact name of issuer as specified in its charter
   CYBER BAY CORPORATION
5. Province, country or other jurisdiction of incorporation or organization
   Philippines
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   Suite 2402 Discovery Center, 25 ADB Avenue, Ortigas Center, Pasig City
   Postal Code
   1605
8. Issuer's telephone number, including area code
   (632) 633 9757
9. Former name or former address, and former fiscal year, if changed since last report
   N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	6,806,878,853
Preferred	6,467,950,603

11. Are any or all of registrant's securities listed on a Stock Exchange?
    (●) Yes ( ) No
    If yes, state the name of such stock exchange and the classes of securities listed therein:
    Philippine Stock Exchange / common shares
12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

(●) Yes ( ) No

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

(●) Yes ( ) No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

PhP2,833,600,000 (Based on closing market price of PhP0.46 on 31 December 2017.

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

( ) Yes (●) No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

Consolidated and Separate (Parent) Annual Financial Statements for the year ended 31 December 2017

(b) Any information statement filed pursuant to SRC Rule 20

N/A

(c) Any prospectus filed pursuant to SRC Rule 8.1

N/A

Cyber Bay Corporation
CYBR

PSE Disclosure Form 17-1 - Annual Report
References: SRC Rule 17 and
Section 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2017
Currency	PhP (in thousands)

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2017	Dec 31, 2016
Current Assets	613,560	613,185
Total Assets	614,580	613,921
Current Liabilities	2,125,599	2,119,056
Total Liabilities	2,125,599	2,119,056
Retained Earnings/(Deficit)	-11,383,173	-11,377,289
Stockholders' Equity	-1,511,019	-1,505,135
Stockholders' Equity - Parent	-1,511,019	-1,505,135
Book Value Per Share	-0.22	-0.22

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2017	Dec 31, 2016
Gross Revenue	-	-
Gross Expense	5,885	4,801
Non-Operating Income	1	2
Non-Operating Expense	3,317	2,884
Income/(Loss) Before Tax	-5,884	-4,799
Income Tax Expense	-	-
Net Income/(Loss) After Tax	-5,884	-4,799
Net Income/(Loss) Attributable to Parent Equity Holder	-5,884	-4,799
Earnings/(Loss) Per Share (Basic)	0	0
Earnings/(Loss) Per Share (Diluted)	0	0

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2017	Dec 31, 2016
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	**Current Assets / Current Liabilities**	0.29	0.29
Quick Ratio	**(Current Assets - Inventory - Prepayments) / Current Liabilities**	0.29	0.29
Solvency Ratio	**Total Assets / Total Liabilities**	0.29	0.29
Financial Leverage Ratios			
Debt Ratio	**Total Debt/Total Assets**	3.46	3.45
Debt-to-Equity Ratio	**Total Debt/Total Stockholders' Equity**	-1.41	-1.41
Interest Coverage	**Earnings Before Interest and Taxes (EBIT) / Interest Charges**	-	-
Asset to Equity Ratio	**Total Assets / Total Stockholders' Equity**	-0.41	-0.41
Profitability Ratios			
Gross Profit Margin	**Sales - Cost of Goods Sold or Cost of Service / Sales**	-	-
Net Profit Margin	**Net Profit / Sales**	-	-
Return on Assets	**Net Income / Total Assets**	-	-
Return on Equity	**Net Income / Total Stockholders' Equity**	-	-
Price/Earnings Ratio	**Price Per Share / Earnings Per Common Share**	-	-

Other Relevant Information

The Company notes the disclaimer of opinion in its Audited Financial Statements has been part of the Company's Annual Report since 31 December 2008. Despite this, the Securities and Exchange Commission (SEC) has consistently accepted the Company's Annual Report without any notice or advice to the Company that the disclaimer violates the Securities Regulation Code (SRC).

The Company undertakes to provide the Exchange with the SEC's confirmation that the Annual Report does not violate the SRC as soon as it becomes available.

The amendment in the annual report includes the auditor's header in its report to the consolidated audited financial statements.

Filed on behalf by:

Name	Jordan Zafra
Designation	Assistant Compliance Officer

COVER SHEET

1	6	5	5	3	9

S.E.C. Registration Number

CYBER BAY CORPORATION

(Company's Full Name)

Suite 2402 Discovery Centre
ADB Avenue, Ortigas Center
Pasig City

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

Atty. Cheryl S. Saldaňa-de Leon

Contact Person

633-9757

Company Telephone Number

12 31

Month *Day*

17 – A

FORM TYPE

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended: **31 December 2017**

2. SEC Identification Number: **165539**

3. BIR Tax Identification No.: **000-157-237-000**

4. Exact name of issuer as specified in its charter: **CYBER BAY CORPORATION**

5. **Mandaluyong City, Philippines**
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. **Suite 2402 Discovery Center, 25 ADB Avenue Ortigas Center, Pasig City** — **1605**
   Address of principal office — Postal Code

8. **(632) 6339757**
   Issuer's telephone number, including area code

9. Former name, former address, and former fiscal year. If changed since last report. **N/A**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	Php6,160,000,000.00

*Note: The Total issued and outstanding shares are:

Common	6,806,878,853
Preferred	6,467,950,603

11. Are any or all of these securities listed on a Stock Exchange
    Yes [**X**] No [ ]

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder of Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding (12) months (or for such shorter period that the Company was required to file such reports);
    Yes [**X**] No [ ]

    (b) has been subject to such filing requirements for the past 90 days.
    Yes [**X**] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates of the Company. Php2,833,600,000.00 (Based on closing market price of Php0.46 on 31 December 2017)

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Company's 2017 Annual Report to Stockholders are incorporated by reference into Parts II and III of this report

THE CORPORATION UNDERTAKES TO PROVIDE WITHOUT CHARGE TO EACH PERSON, ON THE WRITTEN REQUEST OF ANY PERSON, COPY OF CYBER BAY CORPORATION ANNUAL REPORT ON SEC FORM 17-A.

Written request for a copy of the Annual Report on SEC Form 17-A should be addressed to:

ATTY. CHERYL S. SALDAÑA-DE LEON
Corporate Secretary
Suite 2402 Discovery Center, 25 ADB Avenue
Ortigas Center, Pasig City

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

Cyber Bay Corporation (the Company) was organized to undertake real estate development (except real estate subdivision) and reclamation. The Company was incorporated on 06 July 1989. The Company has changed its name from First Lepanto Corporation to Guoco Land (Philippines), Inc. in 1994, to Centennial City Inc. in 1996, and to Cyber Bay Corporation in 2000.

On 30 March 1996, the Company, Central Bay Reclamation and Development Corporation (Central Bay) and certain of shareholders Central Bay's shareholders entered into a Memorandum of Agreement which involved the restructuring of the Company and the consolidation of certain businesses and assets of the Company and Central Bay.

The restructuring of the Company entailed the transfer to Prime Orion Philippines, Inc. (formerly Guoco Holdings Philippines, Inc.) of the Company's investments in the following corporations: Tutuban Properties Inc., Guoco Property Development Inc., Manila Southcoast Development Corporation, Mandaue Resources and Realty Corporation, Luck Hock Venture Holdings, Inc., First Lepanto Ceramic Wares Inc. and First Lepanto Realty Inc. and the settlement of all intercompany liabilities relating to such corporations.

The business consolidation involved the issuance by the Company of 4 billion shares of stock (with par value of Php1.00 per share) to certain Central Bay shareholders in exchange for 4.8 million Central Bay shares of stock (with par value of Php100.00 per share) held by the Central Bay shareholders. Upon completion of the business consolidation, the Company assumed full ownership of Central Bay, including its Joint Venture Agreement (JVA) with the Public Estates Authority (PEA) (now known as the Philippine Reclamation Authority) to reclaim 750 hectares of land along Manila Bay (the Cyber Bay Project) as its new property core holding.

Aside from the aforementioned business consolidation, no other material reclassification, Merger, Consolidation or Purchase has been implemented. However, ten (10) floors of the BA Lepanto Building owned by the Company was the subject of a *Dacion en Pago* arrangement with the Philippine National Bank in 1999.

With the Cyber Bay Project, the Company is afforded a unique flagship waterfront development; at 750 hectares, it was supposed to be a substantial fully integrated township that can spearhead the redevelopment of the Manila Bay in tandem with the government's progressive Bay City Development.

A controversy on the validity of the JVA arose and several investigations and fact-finding committees were created to determine its validity. Finally, on 28 May 1999, the JVA was amended and approved by the Office of the President and the Government Corporate Monitoring and Coordinating Committee.

After having obtained all the government approvals and endorsements under two Administrations (Presidents Fidel Ramos and Joseph Estrada) and pursuant to the Amended JVA, Central Bay conducted a review of all contracts and project plans in preparation for the resumption of the long delayed implementation of the Reclamation Project. Preparations included the re-bidding of the dredging and reclamation contract, which were previously suspended. In addition, Central Bay urgently settled the squatters issue and incurred huge operational expenses in securing the cleared islands within the project site. These expenditures were undertaken by Central Bay in the ordinary course of business pursuant to its JVA/AJVA with respondent and done in utmost good faith.

However, on 09 July 2002, after having invested heavily into the Reclamation Project, including the cash advances given to PRA and the cost for the relocation of informal settlers in the area, not to mention the funds that were injected to run the operations of Central Bay from 1995 to 2002, the Supreme Court promulgated a decision in the case of Chavez v. PEA and Amari Coastal Bay Development Corporation (G.R. No. 133250, July 9, 2002, 384 SCRA 152), permanently enjoining PEA and Central Bay from implementing and declaring the Amended JVA as null and void ab initio. Central Bay's Motion for Reconsideration was denied.

The Supreme Court stated that "Despite the nullity of the Amended JVA, Central Bay is not precluded from recovering from the PEA in the proper proceedings, on a quantum merit basis, whatever Central Bay may have incurred in implementing the Amended JVA, prior to its declaration of nullity.

On 20 November 2009, the Company sent a letter to the PEA (now PRA) for the payment of approximately Php13.4 billion. This amount represents all costs, losses, liabilities, and expenses incurred by Central Bay computed as of September 2009 pursuant to the Amended JVA.

In a letter dated 8 February 2010, PRA, through its former General Manager and CEO, Andrea D. Domingo, acknowledged that of the claims for reimbursement made by Central Bay, PRA was able to verify the total amount of Php1,004,439,048.45 as the amount due for reimbursement and PRA did not, at that time, find any sufficient basis for the payment of Central Bay's other claims including cost of money, reimbursement of professional and legal fees, interest and bank charges on loan, foreign exchange losses on loans, pre-operating and operating expenses, input tax, and documentary stamp tax. Central Bay then conducted a more thorough internal review of pertinent documents and re-computation of its claims vis-a-vis the findings of PRA.

Thus, on 13 December 2010, Central Bay filed a Petition with the COA to claim for reimbursement with the revised amount due totaling Php11,527,573,684.12 (down from the initial claim of Php13,385,972,469) and not merely Php1,004,439,048.45 as initially determined by the PRA. Considering that PRA has already validated and acknowledged Central Bay's claim for reimbursement in the amount of Php1,004,439,048.45, the only issue submitted to the COA is whether or not the other claims of Central Bay which were initially found by PRA to be without sufficient basis are likewise rightful items for reimbursement in light of recognized government accounting standards.

On 03 February 2014, the Company received a letter from the PRA which states that in addition to the amount verified by your Reclamation Group of Php1,004,439,048.45, the Company is entitled to additional reimbursements in the amount of Php22,592,435.34.

On October 14, 2016, Central Bay and PRA entered into a Compromise Agreement where PRA shall cede to Central Bay parcels of land with value equal to the validated claim of P1.027 billion. In exchange, Central Bay shall waive all other claims subject of the pending petition with the COA and any other claims arising from or in connection with the Amended JVA. The Compromise Agreement shall become effective upon approval of the COA.

On November 11, 2016, Central Bay and PRA filed a Joint Motion for Judgment based on the Compromise Agreement before the COA to seek its approval. The parties are still waiting for COA's decision on the Joint Motion.

With respect to the Company's settlement of its outstanding obligations, the Company secured Stockholders' approval and ratification of the issuance of shares as a result of the conversion of liabilities to equity during as shown below during its annual meeting held on 24 November 2010. As a first step, the Company amended its Articles of Incorporation amending the par value of the unissued preferred shares from Php1.00 to Php0.10, among others. The Commission approved the Amended Articles of Incorporation on 04 May 2011.

The Commission likewise approved the Confirmation of Valuation in relation to the debt to equity conversion on 13 November 2012 as follows:

(a) Conversion of Stockholders' Advances to Equity

The advances which were converted to 646,878,853 common shares were utilized to finance the reclamation and horizontal development of the Cyber Bay Project.

The 646,878,853 common shares were issued to the following:

One Bacolod Express Holdings, Inc.	364,577,424
Primera Commercio, Holdings, Inc.	167,578,190
Cosco Land Corporation	56,132,206
Guoco Securities (Philippines), Inc.	42,924,628
Prime Orion Philippines, Inc.	15,666,405
Total	646,878,853

(b) Conversion of Bank Loans to Equity

The liabilities which were converted to 6,467,950,603 preferred shares arose from the Company's bank loans to Philippine National Bank (PNB) and Bangkok Bank. The PNB Loan was assigned to Opal Investments Portfolio [SPV-AMC], Inc. and the latter assigned the loan obligation to One Bacolod Express Holdings, Inc. On the other hand, the Bangkok Bank Loan, which is the subject of Civil Case No. 01-1094, was assigned to Allied Enterprise Co., Ltd. and the latter assigned it to New Bond Corporation (NBC). On 22 February 2011, the Company filed a manifestation in Civil Case No. 01-1094 that it has no objection to the substitution of Primera Commercio Holdings, Inc. for NBC as plaintiff in the case. In a Judgment dated 14 September 2011, the trial court approved the parties' Joint Motion for Judgment Based on Compromise that was filed on 26 August 2011.

The 6,467,950,603 preferred shares were issued to the following:

One Bacolod Express Holdings, Inc.	1,609,359,778
Primera Commercio, Holdings, Inc.	4,858,590,825
Total	6,467,950,603

The Company continues to implement measures to reduce its operational expenses and, through the efforts of its outsourced service provider, consolidate all the records pertaining to the claim for reimbursement from the PRA.

Amount Spent on Development Activities

The amount spent on development activities during the last three (3) fiscal years and its percentage to revenues are as follows: (*Amounts in Thousands*)

As of	Amount	Total Revenue for the Period	% to Revenues
Dec. 31, 2017	Php 0.0	Php 0	0.0%
Dec. 31, 2016	0.0	0	0.0%
Dec. 31, 2015	0.0	0	0.0%

As of December 31, 2017, the Company has no employees and has outsourced its reportorial and compliance requirements to GSE Management Services, Inc. So far, the Company has no plans to hire employees in the ensuing twelve months.

As of the moment there are no major risks that the company and its subsidiary are involved in. The Company is currently discussing with PRA the details of its claims pursuant to the Amended JVA and the Supreme Court Decision.

Item 2. Properties

Cyber Bay Project

The Company's Cyber Bay Project encompasses 750 hectares involving the reclamation and development of an integrated and comprehensive urban township that is envisioned to be a 21st century metropolis. The reclamation project is located Southwest of Manila along Manila-Cavite Coastal Road, within the cities of Parañaque, Las Piñas and the municipality of Bacoor, Cavite. This project has been shelved due to the Supreme Court decision nullifying the JVA with the PRA.

In 1999, Cyber Bay settled part of its loans with the Philippine National Bank with a *Dacion en Pago* of its 10 Floors in the BA Lepanto Building, located along Paseo de Roxas, Makati City.

The Company has no other property holdings.

Transactions with and/or dependence on Related Parties

The Company's transaction with stockholders i.e. Italian-Thai (BVI) Development Co., Ltd., Prime Orion Philippines, Inc., and other stockholders consists mainly of non-interest bearing advances which were uses to finance the initial phase of the Cyber Bay Project.

The Company obtains cash advances from a shareholder to support its day-to-day operations. These advances are payable on demand. As at December 31, 2017, the Company has yet to decide on what option to take to settle the outstanding payable.

Item 3. Legal Proceedings

1. *Cyber Bay Corporation vs. Island Country Telecommunications, Inc. at the Regional Trial Court of Makati City, Branch 58, instituted on June 20, 2001*

The Company owned three (3) floors of the BA Lepanto Building in Makati City. Island Country Telecommunications, Inc. (ICTI) was engaged in the operation of paging services. In 1996, ICTI leased the floors owned by the Company. ICTI failed to pay its rental obligation to the Company despite demands.

In a Decision dated 22 February 2008, the Regional Trial Court (RTC) of Makati, Branch 143 ruled in favor of the Company and ordered ICTI to pay the Company the following amounts:

a. Php 8,589,518.24 as arrears from the rented premises, i.e. 8th, 9th, and 14th floors with interest at 12% per annum from 25 September 2000 until the sum is fully paid;
b. Php 1,895,162.50 as rental for the 8th and 9th floors minus the security deposit or a total of Php 418,412.25 with interest at 12% per annum from 25 September 2000 until fully paid; and,
c. Costs of suit and Php 200,000.00 for attorney's fees.

From said Decision, ICTI filed its Notice of Appeal. In a Decision dated 29 September 2009, the Court of Appeals denied ICTI's appeal. The Decision of the RTC was affirmed with modification in that ICTI is ordered to pay the Company the following amounts:

a. Php 5,452,114.64 as rent arrears up to period of November 1998 with interest at 12% per annum from 25 September 2000 until the sum is fully paid; and
b. Php 418,412.50 as rent arrears for the period of 01 September 1999 to 15 December 1999 with interest at 12% per annum from 25 September 2000 until fully paid.

On 12 October 2009, ICTI filed a Motion for Partial Reconsideration which was denied by the Court of Appeals in its Resolution dated 28 January 2010. Consequently, the Decision became final and executory on 21 February 2010.

The Company filed a Motion for Issuance of Writ of Execution dated 25 June 2010 which was granted by the RTC on 02 July 2010. The Company is now in the process of enforcing the Writ of Execution. However, as of this date, the Company could not locate any property of ICTI for levy.

3. *Central Bay Reclamation and Development Corporation v. Philippine Reclamation Authority, instituted on 13 December 2010*

Central Bay filed a Petition for money claims with the Commission on Audit arising from a Joint Venture Agreement (JVA) entered into by the Public Estates Authority [PEA] (now the Philippine Reclamation Authority [PRA]) with Amari Coastal Bay Development Corporation (ACBDC) for the development of Three Islands (the "Reclamation Project") on 25 April 1995. By virtue of a Notice to Proceed issued by the PEA on 27 September 1996, Central Bay proceeded with the implementation of the Reclamation Project after having obtained presidential approval, all the government licenses, environmental and other permits and approvals necessary for the reclamation.

The Supreme Court declared the Amended JVA as null and void ab initio and after several Motions for Reconsideration denied by the Supreme Court, the decision of the Court became final and executory.

Nevertheless, the Supreme Court decreed that the nullification of the JVA does not affect Central Bay's right to recover reimbursement from PEA (now PRA).

On 20 November 2009, the Company sent a letter to the PEA now PRA for the payment of approximately Php13.4 billion. This amount represents all costs, losses, liabilities, and expenses incurred by Central Bay computed as of September 2009 pursuant to the Amended JVA. In a letter dated 8 February 2010, PRA, through its former General Manager and CEO, Andrea D. Domingo, acknowledged that of the claims for reimbursement made by Central Bay, PRA was able to verify the total amount of Php1,004,439,048.45 as the amount due for reimbursement.

Thus, Central Bay filed a Petition with the COA to claim for reimbursement with the revised amount due totaling Php11,527,573,684.12 (down from the initial claim of Php13,385,972,469) and not merely Php1,004,439,048.45 as initially determined by the PRA. Considering that PRA has already validated and acknowledged Central Bay's claim for reimbursement in the amount of Php1,004,439,048.45, the only issue submitted to the COA is whether or not the other claims of Central Bay which were initially found by PRA to be without sufficient basis are likewise rightful items for reimbursement in light of recognized government accounting standards.

Central Bay had several several meetings with the PRA Panel to reconcile the accounts and provide supporting data for its claim for reimbursement.

After the validation process, which was concluded in October 2011, the PRA, in a letter dated 03 February 2014 signed by its incumbent General Manager and CEO Peter Anthony A. Abaya, informed Central Bay that PRA has verified an additional amount for reimbursement equivalent to Twenty-Two Million Five Hundred Ninety-Two Thousand Four Hundred Thirty-Five and 34/100 Pesos (Php22,592,435.34), bringing the total amount validated by PRA to One Billion Twenty-Seven Million Thirty-One Thousand Four Hundred Eighty-Three and 79/100 Pesos (Php1,027,031,483.79).

On October 14, 2016, Central Bay and PRA entered into a Compromise Agreement where PRA shall cede to Central Bay parcels of land with value equal to the validated claim of P1.027 billion. In exchange, Central Bay shall waive all other claims subject of the pending petition with the COA and any other claims arising from or in connection with the Amended JVA. The Compromise Agreement shall become effective upon approval of the COA.

On November 11, 2016, Central Bay and PRA filed a Joint Motion for Judgment based on the Compromise Agreement before the COA to seek its approval. The parties are still waiting for COA's decision on the Joint Motion.

No updates have been received from PRA and COA as at December 31, 2016 with regards to the status of the Joint Motion for Judgment based on Compromise Agreement.

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

There were no matters submitted during the period covered by this report to a vote of security holders through the solicitation of proxies or otherwise.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(1) Market Information

The Company's common equity is traded at the Philippine Stock Exchange

Stock Prices

Fiscal Year 2014	High	Low
1st Quarter	₱0.69	₱0.47
2nd Quarter	₱0.98	₱0.60
3rd Quarter	₱0.69	₱0.55
4th Quarter	₱0.59	₱0.48

Fiscal Year 2015		
1st Quarter	₱0.53	₱0.45
2nd Quarter	₱0.485	₱0.44
3rd Quarter	₱0.49	₱0.415
4th Quarter	₱0.66	₱0.445
Fiscal Year 2016		
1st Quarter	₱0.55	₱0.52
2nd Quarter	₱0.71	₱0.63
3rd Quarter	₱0.60	₱0.58
4th Quarter	₱0.57	₱0.55
For the Year 2017		
1st Quarter	₱0.68	₱0.52
2nd Quarter	₱0.56	₱0.50
3rd Quarter	₱0.55	₱0.47
4th Quarter	₱0.51	₱0.43

(2) Holders

The number of shareholders of record as of 31 December 2017 is Six Hundred Thirty-One (631). Common shares outstanding as of the same period are Six Billion One Hundred Sixty Million (6,160,000,000) shares. The Closing Market price as of 31 December 2017 is Php0.46.

Top 20 Common Stockholders
As of 31 December 2017

Name of Stockholder	Number of Shareholdings	Percentage to Total Equity
PCD NOMINEE CORP. (FILIPINO)	2,017,132,529	15.20%
PRIMERA COMMERCIO HOLDINGS, INC.	1,462,000,000	11.01%
GUOCO HOLDINGS (PHILS.), INC.	1,320,116,000	9.94%
UCPB TA# 99-0196	1,000,000,000	7.53%
AMARI HOLDINGS CORPORATION	215,500,000	1.62%
PCD NOMINEE CORPORATION (NON-FILIPINO)	50,229,611	0.38%
DAVID GO SECURITIES CORPORATION	43,529,468	0.33%
PRIME ORION PHILIPPINES, INC.	17,985,405	0.14%
HLG CAPITAL PHIL., INC. ITF MR. SOMBOON PATCHARASOPAK	14,000,000	0.11%
URBAN LEISURE AND DEVELOPMENT CORPORATION	12,000,000	0.09%
ROGER C. ANG	9,000,000	0.07%
KATHERINE MARIE YBANEZ SY	5,000,000	0.04%
SEC ACCOUNT FAO: VARIOUS CUSTOMERS OF GUOCO SECURITIES (PHILIPPINES), INC.	4,111,324	0.03%
WILLIAM L. PEREZ	3,470,000	0.03%
Q-TECH ALLIANCE HOLDINGS, INC.	3,143,000	0.02%
BENITO KEH	2,500,000	0.02%
ALEXANDER UY&/OR CHARLES UY	2,190,000	0.02%
PLLIM INVESTMENTS, INC.	2,000,000	0.02%
ROSA ALLYN G. SY	2,000,000	0.02%
SONNY SY AGUINALDO	1,687,000	0.01%

(3) Dividends

No dividends were declared in 2017.

(4) Recent Sales of Unregistered Securities

There are no sales of unregistered securities of the Company within the past three (3) years.

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

Plan of Operation

Due to the Decision of the Supreme Court, which rendered a decision nullifying the Joint Venture Agreement (JVA) with the PEA, the Corporation has suspended all works and negotiations. The Company has exhausted almost all possible legal courses of action.

The Company through Central Bay filed a Petition with the COA to claim for reimbursement of the amount of Php11,527,573,684.12 and not merely Php1,004,439,048.45 as initially determined by the PRA. The PRA, in a letter dated 03 February 2014 signed by its incumbent General Manager and CEO Peter Anthony A. Abaya, informed Central Bay that PRA has verified an additional amount for reimbursement equivalent to Twenty-Two Million Five Hundred Ninety-Two Thousand Four Hundred Thirty-Five and 34/100 Pesos (Php22,592,435.34), bringing the total amount validated by PRA to One Billion Twenty-Seven Million Thirty-One Thousand Four Hundred Eighty-Three and 79/100 Pesos (Php1,027,031,483.79).

On October 14, 2016, Central Bay and PRA entered into a Compromise Agreement where PRA shall cede to Central Bay parcels of land with value equal to the validated claim of P1.027 billion. In exchange, Central Bay shall waive all other claims subject of the pending petition with the COA and any other claims arising from or in connection with the Amended JVA. The Compromise Agreement shall become effective upon approval of the COA.

At present, the Corporation is operating using funds sourced externally or advanced by its major stockholders.

There are no expected major purchases or sale of plant and equipment nor significant changes in the number of employees of the Corporation.

There were no material changes in financial condition and results of operation for each of the last three fiscal years.

- There are no known trends, demands, commitments, events or uncertainties that will have a material effect on the Corporation's liquidity.
- There are no material commitments for capital expenditures.
- There are no significant elements of income or loss that did not arise from the Corporation's operations.
- All expenses of the Corporation are current and the Corporation does not expect any direct or contingent financial obligation that is substantial or material.
- There are no seasonal aspects that have a material effect on the financial condition or results of operations.
- The Board and Management of the Corporation are continuously and actively looking for other projects and businesses that the Corporation may venture into. In the meantime, all project-related operations are still suspended.

The Corporation's Top 5 key performance indicators/financial soundness indicators:

Performance Indicators	**FORMULA**	**2017** (in thousands)	**2016** (in thousands)
Current Ratio	Current Assets/Current Liabilities	0.289 : 1 613,560 / 2,125,599	0.289 : 1 613,185 / 2,119,056

Debt to Equity Ratio	Total Liabilities / Stockholders Equity	-1.407 : 1 2,125,599 / (1,511,019)	-1.408 : 1 2,119,056 / (1,505,135)
Equity to Debt Ratio	Stockholders Equity / Total Liabilities	-0.711 : 1 (1,511,019) / 2,125,599	-0.710 : 1 (1,505,135) / 2,119,056
Book value per share	Stockholders Equity / Total number of shares	-0.222 : 1 (1,511,019) / 6,806,879	-0.221 : 1 (1,505,135) / 6,806,879
Income(Loss) per share	Net Income / Total number of shares	-0.001 : 1 (5,884) / 6,806,879	-0.001 : 1 (4,799) / 6,806,879

At present, there are no known trends, demands, commitments or uncertainties in the Company. All operational expenses of the Company are sustained by sourcing externally or advanced by its major stockholders.

All expenses of the company are current and the Company does not expect any direct or contingent financial obligation that is substantial or material.

Item 7. Financial Statements

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

External Audit Fees and Services

The aggregate fees billed and paid by the Company in favor of its External Auditors for Audit and Audit Related Fees is Three Hundred Sixty-Eight Thousand Pesos (Php368,000.00) for the years 2016 and 2017. These fees comprise the audit and audit-related services rendered to the Company and its subsidiary.

Except for the fees indicated above, there were no tax fees or all other fees billed or paid to the Company's External Auditors for the last two (2) fiscal years.

The audit plan, including the corresponding audit fees, is submitted by the External Auditors to the Company's Audit Committee for review. The Audit Committee evaluates and approves the audit fees on the basis of reasonableness, scope of work and the prevailing market price for audit services in the industry. If the Audit Committee finds the audit plan and fees are in order, it is presented and recommended for final approval of the Board of Directors. In the event that other services aside from the audit of financial statements, the scope of and payment for the same are subject to review, evaluation and approval by the Board of Directors.

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

There are no changes in and disagreements with accountants on accounting and financial disclosure during the two most recent fiscal years.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Company

(1) Directors and Executive Officers – Position/Other Directorships

The present directors of the Company were elected during the Annual Stockholders Meeting held on 22 December 2017.

The directors serve for a term of one (1) year until the election and acceptance of their qualified successors.

The list below includes the directorships/officerships held by the Company's directors in other corporations. Most of these directorships/officerships have been held by the directors for the past five (5) years to the present.

Name	Age	Directorships in Other Companies	Citizenship	Business Experience for the Past Five Years
Oscar L. Paras Jr. Chairman Independent Director, November 2010 to December 2012 Chairman, December 2012 to present	59	Soled Instyle Enterprises, Inc.	Filipino	Partner: Aguirre, Abano, Panfilo, Paras, Pineda & Agustin Law Offices Chief of Staff: Office of Monetary Board Member – Raul A. Boncan (until April 2010) Senior Consultant: Civil Aviation Authority of the Philippines (until December 2008) Senior Assistant General Manager: Manila International Airport Authority (until June 2008)
Raul G. Gerodias Director, December 2012 to present President, December 2012 to present	54	AB Leisure Exponent, Inc Ashwell Holdings, Inc. Assetvalues Holding Company, Inc. Banh Mi Kitchen Services Inc. Central Bay Reclamation and Development Corporation Cyberbay Corporation Elegant Infoventures, Inc. Fritz & Macziol Asia, Inc. Fujitsu Ten Corporation of the Philippines Globalpeak Holdings, Inc. Kewalram Philippines, Inc. Kyani Philippines, Inc. Metro Promo Concepts Corp.MUSIC Group Limited MUSIC Group Commercial BM Ltd. MUSIC Group Services SG (Pte.) Ltd. MUSIC Group Services US Inc. MUSIC Group Services EU GmbH MUSIC Group Commercial HK Limited MUSIC Group Services JP K.K. MUSIC Group Macao Commercial Offshore Limited Music Group Macao Commercial Offshore Limited (Philippines) ROHQ MUSIC Group Commercial PH Inc. MUSIC Group Services NV Inc. MUSIC Group IP Ltd. MUSIC Group Research UK Limited Turbosound Ltd.,Behringer International Service Centre Limited, Zhongshan Eurotec Electronics Limited Zhongshan Eurotec Electronics Limited (Shenzhen Branch) MUSIC Group Commercial BM Ltd. (Philippines) ROHQ and Music Group Services PH Corp. (PEZA) ParexGroup Inc. Sanctuary Holdings Corp. Swiss Sense Worldwide, Inc.	Filipino	*Chairman*: ALK Holdings and Management, Inc. Skytrooper Charter Phils., Inc. AirMaverick Inc *President & Chairman:* GSE Management Services, Inc., Terramino Holdings, Inc. Alpha Point Property Holdings, Inc. AB Fiber Corp. *President:* Central Bay Reclamation and Development Corporation Pixiedust, Inc. Continuitas Corporation *Treasurer and Corporate Secretary:* Swiss Sense Worldwide, Inc. *Director and Treasurer:* Swiss Sense, Inc. *Director and Corporate Secretary*: AB Food and Beverages Phils. Inc. Fujitsu Ten Corporation of the Philippines Kiden Development Corporation Diez Corporation TKG Corporation Unitel Productions, Inc. Quento Media, Inc. T Information Systems Philippines, Inc., TD Outsourcing Philippines, Inc. Adventure Bay Resort and Theme Park, Inc. Ashwell Holdings, Inc. Musungu, Inc. *Resident Agent:* Music Group Macao Commercial Offshore Limited (Philippines) ROHQ Shinko Electric Industries Co., Ltd.

		Terrabay Holdings, Inc. The European Hair Factory Inc. Board of Trustees: Community Waterhope Foundation, Inc. Ateneo Law Alumni Association, Inc.		*Corporate Secretary:* AB Leisure Exponent, Inc. (Bingo Bonanza Corporation) AB Leisure Global, Inc. Fujitsu Die-Tech Corporation of the Philippines Fujitsu Ten Solutions Philippines, Inc. Harada Automotive Antenna (Philippines), Inc. Harada Phils. Development and Management, Inc. Universal Leaf Philippines, Inc. Unistar Land and Property Corporation Union Leaf Holdings Corporation UUU Realty Holdings, Inc. One World Connections, Inc. Eco Fuel Land Development, Inc. I & Lu Tobacco Company, Inc. Coastal Training Philippines Corp. DBA DuPont Sustainable Solutions Philippine Bio-Ethanol & Energy Investment Corp. Teleaccess, Inc. Straight Shooters Media, Inc. Healthwealth International Corp. Middleby Philippines Corporation Middleby Worldwide Phils., Inc. Ferrier Hodgson Philippines, Inc. FH Corporate Services, Inc. FH Asset Management Corp. Ferrier Hodgson Management Services, Inc. FTI Consulting Administrative Services, Inc. Macondray Finance Corporation Paragon Trading & Services Corporation Masagana Realty Co., Inc. Silver Finance, Inc. Silver CDO Finance, Inc. Five Star Finance Corporation Silver WDC Finance Corporation Silver Holdings Groups, Inc. Ashwell Holdings, Inc. Techno Holdings Corporation Technolux Equipment & Supply Corporation HKR Equipment Corporation The Turf Company, Inc. The Finix Corporation Steltz International, Inc. Geyser Global Sourcing Corporation Culinary Best Source, Inc. Createch Wellness Corp. A & L Equities, Inc. DACS Holdings, Inc. La Deca Farm Corporation LLF Farms, Inc.
Raul Tito A. Estrella	48	AB Fiber Corp. Airmaverick Inc. ALK Holdings & Management, Inc.	Filipino	President: PDC Global PTY Ltd. Halfen-Moment Inc. (Chairman/President)

Director, 2011 to present		Alpha Point Property Holdings, Inc. Assetvalues Holding Company, Inc. Countrybreeze Corporation Evander Holdings Corporation Gracall International MNL, Inc. GSE Management Services, Inc. Halfen-Moment Inc. Highgarden Holding Corp. Marbleslate Holdings, Inc. PDC Asia-Pacific Inc. (formerly 4D Global Group Inc.) Pedalmax Holdings, Inc. Pixiedust Inc. Skytrooper Charter Phils. Inc. Terramino Holdings, Inc.		Weldon Offshore Strategic Limited Incorporated (Chairman/President) Sunshore Holdings Corporation (Chairman/President) Corporate Secretary: PDC Asia-Pacific Inc. (formerly 4D Global Group Inc.) Gracall International MNL, Inc. GSE Management Services, Inc. Terramino Holdings, Inc. Hi-Frequency Telecommunication, Inc. MTM Ship Management (Philippines) Inc. Taal Lake Land Holdings, Inc. Terramino Holdings Treasurer: Evander Holdings Corporation Resident Agent: Goltens Philippines PDC Global PTY Ltd.
Cheryl S. Saldaña-de Leon Director, October 2010 to present Corporate Secretary and Compliance Officer, November 2010 to present	39	AB Fiber Corp. Central Bay Reclamation and Development Corporation Countrybreeze Corporation Music Group Limited Music Group Services SG (Pte.) Ltd. Behringer Macao Commercial Offshore Limited Music Group Services EU GmbH Music Group Commercial PH Inc. Pedalmax Holdings, Inc. Pook Ligaya Shell Inc. Privado Holdings Corp. Sealoch Holdings, Inc. Smartventures Inc. Strategic Investment & Dev't. Holdings, Inc. Sunspear Holdings, Inc. Valhalla Investment & Dev't. Holdings, Inc. Wiselink Investment Holdings, Inc.	Filipino	Treasurer: Pook Ligaya Shell Inc. Music Group Commercial PH Inc. Somete Logistics & Development Corporation Tigerlion, Inc. Wiselink Investment Holdings, Inc. Corporate Secretary: AB Fiber Corp. AuEnergy, Inc. Central Bay Reclamation and Development Corporation DHI Investment, Inc. DHI Group Inc. Ecofuel Land Development Inc. Globalpeak Holdings, Inc. Green Future Innovations, Inc. Music Group Commercial PH Inc. Privado Holdings Corp. Strategic Investment & Dev't. Holdings, Inc. Somete Logistics & Dev't. Corp. Synergy88 Studios, Inc. Synergy 88 Digital, Inc. Synergy88 Productions, Inc. Tigerlion, Inc. Terrabay Holdings, Inc. Valhalla Investment & Dev't. Holdings, Inc. Weldon Offshore Strategic Limited Incorporated Wiselink Investment Holdings, Inc. Assistant Corporate Secretary: Eagle Cement Corporation

Limuel P. Leal Director, December 2016 to present	26	Cyber Bay Corporation Central Bay Reclamation and Dev't. Corp. Synergy Grid & Dev't. Philippines, Inc. OneTaipan Holdings, Inc. Monte Oro Grid Resources Corporation	Filipino	Compliance Officer: Synergy Grid & Dev't. Philippines, Inc. Treasurer: Synergy Grid & Dev't. Philippines, Inc. Central Bay Reclamation and Dev't. Corp.
Jose Martin A. Loon Director, January 2017 to present	31	Cyber Bay Corporation	Filipino	Aquende Yebra Aniag Loon and Associates, Partner Vamos Holdings Inc., Consultant Enrique Zobel Inc., Consultant Inigo & Mercedes Zobel, Executive Assistant ZEE1 Resources Inc., Consultant
Luis A. Vera Cruz, Jr. Independent Director, January 2017 to present	67	Cyber Bay Corporation Eagle Cement Corporation Philippine Resources Savings Banking Corporation	Filipino	Angara Abello Concepcion Regala & Cruz, Of Counsel San Miguel Corporation, Legal Consultant Chemical Industries of the Philippines, Inc., Corporate Secretary ACCRA Holdings, Inc. Director and President ACCRA Investment, Inc, Corporate Secretary
Rhogel S. Gandingco Independent Director, December 2017 to present	49	Fortman Cline Capital Markets Phils., Inc. Pacific Nickel Phils., Inc. Philnico Industrial Corporation	Filipino	San Miguel Energy Corporation, President and Director Top Frontier Holdings Corp., President and Director Global 5000 Corporation, Treasurer and Director
Ryan V. Romero Director, March 2018 to present	35	Broadreach Media Holdings, Inc. Deity Holdings Corporation Grand Trackway, Inc. Synergy Grid & Development Phils., Inc. Thunderbird Poro Development Ventures, Inc.	Filipino	Broadreach Media Holdings, Inc., Corporate Secretary Deity Holdings Corporation, Corporate Secretary, and Treasurer Globalpeak Holdings, Inc., Assistant Corporate Secretary Grand Trackway, Inc., Corporate Secretary Steltz International, Inc., Assistant Corporate Secretary
Ricardo Jose G. Nicolas, III Independent Director, December 2012 to December 2017	44	Roadworks, Inc. Independent Priority Trade, Inc.	Filipino	Chairman/President: Roadworks, Inc. President: Independent Priority Trade, Inc.
Jesus Emmanuel O. Morales, Jr. Director, December 2016 to March 2018	34	Ilumina Investment Holdings Inc. Probegroup Philippines, Inc. Sunshore Holdings Corporation Synergy Grid & Development Phils., Inc.		Corporate Secretary: Alltech Contractors, Inc. Sunshore Holdings Corporation Legal Counsel , Energy Development Corporation

At the special meeting of the Board of Directors on 28 March 2018, the resignation of Jesus Emmanuel O. Morales, Jr., effective immediately, was accepted. The remaining directors elected Ryan V. Romero to serve the remaining portion of his predecessor's term.

(2) Significant Employees

The Company has no employees.

(3) Family Relationships

The directors, executive officers, or persons nominated or chosen by the Company to become directors or executive officers are not related up to the fourth civil degree either by consanguinity or affinity.

(4) Involvement in Certain Legal Proceedings

There has been no occurrence of any of the following events during the past five years up to the latest date that are material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer or control person of the Company:

a) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

b) Any conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

c) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities and;

d) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Item 10. Executive Compensation

Information as to the aggregate compensation paid or accrued during the last two completed fiscal years and ensuing year to the Company's Chief Executive Officer and four most highly compensated executive officers

SUMMARY COMPENSATION TABLE

Year 2015-2017 Annual Compensation

Name and Principal Position	Year	Compensation	Bonuses	Other Compensation
The Directors/Officers of the Company are not receiving any form of compensation	2017 2016 2015	N.A.	N.A.	N.A.

10.1 **Compensation of Directors**

(a) There is no standard arrangement pursuant to which directors of the Company are compensated or are to be compensated, directly or indirectly, for any services provided as a director, including any additional amounts payable for committee participation or special assignments, for the last completed fiscal year and the ensuing year.

(b) There are no other arrangements, including consulting contracts, pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the Company's last completed fiscal year, and the ensuing year, for any service provided as a director.

There is no action to be taken with regard to the following:

(a) any bonus, profit sharing, or other compensation plan, contract or arrangement in which any director, nominee for election as a director, or executive officer of the Company will participate;

(b) any pension or retirement plan in which any person will participate; or

(c) granting or extension to any such person of any options, warrants or rights to purchase any securities, other than warrants or rights issued to security holders as such, on a pro rata basis.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners
(*As of 31 December 2017*)

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage of Ownership
Common	PCD Nominee Corp. (Filipino) 37/F Tower I The Enterprise Center 6766 Ayala Avenue cor. Paseo de Roxas, Makati City	*	Filipino	2,017,132,529	15.20%
Common	Primera Commercio Holdings, Inc. 7064 Wilson St., Pio Del Pilar, Makati City	Record Holder same as Beneficial Owner	Filipino	1,462,000,000	11.01%
Preferred	Primera Commercio Holdings, Inc. 7064 Wilson St., Pio Del Pilar, Makati City	Record Holder same as Beneficial Owner	Filipino	4,858,590,925	36.60%
Preferred	One Bacolod Express Holdings, Inc. 2nd Floor Highway 54 Plaza, 986 Standford St., EDSA, Mandaluyong City	Record Holder same as Beneficial Owner	Filipino	1,609,359,778	12.12%

** There are no beneficial owners under PCD Nominee Corporation which holds more than 5% shares in the Company.*

The following represent for each of the above named company:

1. Primera Commercio Holdings, Inc. — Jose A. Wingkee, Jr.
2. One Bacolod Express Holdings, Inc. — Nicolas P. Tayag

(2) Security Ownership of Management (Other than Nominees)
(*as of 31 December 2017*)

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Common	Oscar L. Paras, Jr.	1 (direct) 30,000 shares (indirect)	Filipino	0.00023%
Common	Raul G. Gerodias	1 (direct) 0 (indirect)	Filipino	0.00000%
Common	Raul Tito A. Estrella	999 shares (direct) 0 (indirect)	Filipino	0.00001%
Common	Cheryl S. Saldaňa-de Leon	996 shares (direct) 0 (indirect)	Filipino	0.00001%
Common	Rhogel S. Gandingco	1 (direct) 0 (indirect)	Filipino	0.00000%
Common	Jose Emmanuel O. Morales, Jr.	1 (direct) 0 (indirect)	Filipino	0.00000%

Common	Limuel P. Leal	1 (direct) 0 (indirect)	Filipino	0.00000%
Common	Jose Martin A. Loon	1 (direct) 0 (indirect)	Filipino	0.00000%
Common	Luis A. Vera Cruz, Jr.	1 (direct) 0 (indirect)	Filipino	0.00000%
Total		32,002 shares		0.00025%

(3) Voting Trust Holders of 5% or More

There are no persons holding more than 5% of a class under a voting trust or similar agreement.

(4) Changes in Control

There are no arrangements, which may result in changes in control of Company, during the period covered by this Form 17-A.

Item 12. Certain Relationships and Related Transactions

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

(a) Any director or executive officer of the Corporation;
(b) Any nominee for election as a director;
(c) Any security holder named above; and
(d) Any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any of the officers, directors, or a security holder of the Company.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Further to the Securities and Exchange Commission's Memorandum Circular No. 15, Series of 2017, the Corporation's Annual Corporate Governance Report will be submitted by 30 May 2018.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-A

(1) Exhibits – See accompanying Index to Exhibits

(2) Reports on SEC Form 17-C

a. <u>12 January 2017</u> – Resignation of Independent Director
b. <u>20 January 2017</u> – Resignation of Director, and Election of Director and Independent Director
c. <u>06 September 2017</u> – Compliance with the Data Privacy Act of 2012
d. <u>24 October 2017</u> – Discussion on the Schedule and Agenda of Annual Stockholder's Meeting
e. <u>21 December 2017</u> - Results of the Annual Stockholder's Meeting.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on the 28 MAR 2018

OSCAR L. PARAS, JR.
Chairman

RAUL G. GERODIAS
President

LIMUEL P. LEAL
Treasurer

CHERYL S. SALDAÑA-DE LEON
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 28 MAR 2018, affiants exhibiting to me the following:

Name	CTC/ Passport No. / SSS No. Date and Place of Issuance	Competent Evidence of Identity
Oscar L. Paras, Jr.		TIN 168-499-479
Raul G. Gerodias	CTC No. 7799507/01/05/2018/Pasig	TIN 129-434-349
Cheryl S. Saldana-de Leon	CTC No. 7799513/01/05/2018/Pasig	TIN 210-789-117
Limuel P. Leal	CTC No. 7799541/01/05/2018/Pasig	TIN 416-070-614

Doc. No. 778;
Page No. 57;
Book No. II;
Series of 2018.

NICOLE ALORA G. JULIAN
Notary Public for the Cities of Pasig, San Juan
And Municipality of Pateros
Commission until 31 December 2018
2404 Discovery Center 25 ADB Ave., Ortigas Center Pasig City
APPT. No. 103 (2017-2018) – Roll. 66620
PTR No. 3867886; 01-11-2018; Pasig City
IBP No. 021554; 01-10-2018; RSM

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number: 1 6 5 5 3 9

COMPANY NAME

C Y B E R   B A Y   C O R P O R A T I O N

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

Suite 2402, Discovery Centre
ADB Avenue, Ortigas Center
Pasig City

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
NONE	**636-6980/633-9757**	**NONE**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
633	December 21, 2017	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Cheryl S. Saldana-De Leon Limuel P. Leal	loydeleon@gselawfirm.com lem@gsemsi.com	633-9757	

CONTACT PERSON's ADDRESS

24th Floor GSE Law, Suite 2402, Discovery Centre, ADB Avenue, Ortigas Center, Pasig City

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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

CYBER BAY CORPORATION

SEPARATE FINANCIAL STATEMENTS
December 31, 2017 and 2016

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226

Telephone	+63 (2) 885 7000
Fax	+63 (2) 894 1985
Internet	www.kpmg.com.ph
Email	ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

The Board of Directors and Stockholders
Cyber Bay Corporation
Suite 2402 Discovery Centre, ADB Avenue
Ortigas Center, Pasig City

We were engaged to audit the accompanying separate financial statements of Cyber Bay Corporation (the "Company") as at and for the year ended December 31, 2017, on which we have rendered our report dated March 28, 2018.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president or any member of the Board of Directors and Stockholders of the Company.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 1386-AR, Group A, valid until June 14, 2020
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-31-2016
Issued October 18, 2016; valid until October 17, 2019
PTR No. 6615157MD
Issued January 3, 2018 at Makati City

March 28, 2018
Makati City, Metro Manila

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Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Cyber Bay Corporation
Suite 2402 Discovery Centre, ADB Avenue
Ortigas Center, Pasig City

Report on the Audit of the Separate Financial Statements

Disclaimer of Opinion

We were engaged to audit the separate financial statements of Cyber Bay Corporation (the "Company"), which comprise the separate statements of financial position as at December 31, 2017 and 2016, and the separate statements of comprehensive income, separate statements of changes in capital deficiency and separate statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying separate financial statements of the Company. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these separate financial statements.

Basis for Disclaimer of Opinion

We draw attention to Note 1 to the separate financial statements. The Company's wholly-owned Subsidiary, Central Bay Reclamation and Development Corporation ("Central Bay"), entered into a Joint Venture (JV) Agreement with the Philippine Reclamation Authority ("PRA"), formerly Public Estates Authority, for the complete and entire reclamation and horizontal development of a portion of the Manila-Cavite Coastal Road and Reclamation Project (the "Project") and has made significant investments in the Project. However, the Supreme Court declared that the JV Agreement was null and void. Central Bay filed motions for reconsideration which were denied by the Supreme Court.

Due to the cessation of the Project, the Company failed to honor its loan commitments and incurred significant losses from accumulating interests and penalties. The accumulated deficit as at December 31, 2017 and 2016 amounted to P11.4 billion. The capital deficiency as at December 31, 2017 and 2016 amounted to P1.5 billion.

Despite declaring the JV Agreement null and void, the Supreme Court decision provides that Central Bay is not precluded from recovering from the PRA in the proper proceedings whatever costs Central Bay may have incurred in implementing the JV Agreement prior to its declaration of nullity.

Pursuant to the Supreme Court's decision, the Company filed a claim for reimbursement with the PRA amounting to P11.5 billion, the realization of which is uncertain except for P1.0 billion which was verified and acknowledged in writing by the PRA. As at December 31, 2017 and 2016, Central Bay recognized a receivable from the PRA amounting to P0.6 billion without any allowance for impairment losses as the management assessed this to be fully recoverable, and Project Development Cost of P3.0 billion which is fully provided with allowance for impairment.

On October 14, 2016, Central Bay and the PRA entered into a Compromise Agreement where the PRA shall cede to Central Bay parcels of land with value equal to the validated claim of Central Bay amounting to P1.027 billion. In exchange, Central Bay shall waive all other claims which is the subject of the pending petition filed with the Commission on Audit (COA) and any other claims arising from or in connection with the JV Agreement. The Compromise Agreement shall become effective upon approval by the COA.

On November 22, 2016, Central Bay and the PRA filed a Joint Motion for Judgment ("Joint Motion") based on the Compromise Agreement with COA. As at March 28, 2018, no formal response on the Joint Motion has been received by the parties from COA.

As at December 31, 2017 and 2016, the Company has an investment in and receivable from Central Bay amounting to P9.5 billion, of which only P8.9 billion allowance for impairment has been provided. The investment in and receivable from Central Bay is considered to be fully impaired since the Subsidiary is in a capital deficiency position amounting to P4.7 billion as at December 31, 2017 and 2016, and the recoverability of its assets is uncertain.

Management intends to utilize any reimbursement that it may obtain from the PRA to fund other business and development ventures and sustain the continuing operations of the Company. Accordingly, the separate financial statements are prepared on a going concern basis. However, due to the uncertainty over the Compromise Agreement, particularly its approval and the value of the parcels of land to be ceded in settlement of the Subsidiary's claims, and the uncertainty of any reimbursement should the Compromise Agreement not materialize, the continuance of operations cannot be assured. This raises significant doubt about the Company's ability to continue as a going concern.

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

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

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with Philippine Standards on Auditing and to issue an auditors' report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company 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 financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

We were engaged for the purpose of forming an audit opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 13 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, it is inappropriate to and we do not express an opinion on the information referred to above.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Darwin P. Virocel.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 1386-AR, Group A, valid until June 14, 2020
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-31-2016
Issued October 18, 2016; valid until October 17, 2019
PTR No. 6615157MD
Issued January 3, 2018 at Makati City

March 28, 2018
Makati City, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **CYBER BAY CORPORATION** (Company) 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 or error.

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

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

The Directors review and approve the financial statements including the schedules attached therein, and submit the same to the stockholders.

R.G. Manabat & Co., the independent auditor 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.

OSCAR L. PARAS, JR.
Chairman

RAUL G. GERODIAS
President

LIMUEL P. LEAL
Treasurer

SUBSCRIBED AND SWORN to before me this 15th day of April 2018 in Pasig City, affiants having exhibited to me the following:

Name	Community Tax Certificate	Competent Evidence of Identity
Oscar L. Paras, Jr.		TIN 168-499-479
Raul G. Gerodias	CTC No. 7799507/01/05/2018/Pasig	TIN 129-434-349
Limuel P. Leal	CTC No. 7799541/01/05/2018/Pasig	TIN 416-070-614

Doc. No. 147;
Page No. 31;
Book No. I;
Series of 2018.

ARVY BRIAN M. UY
Notary Public for the Cities of Pasig, San Juan
And Municipality of Pateros
Commission until 31 December 2019
2404 Discovery Center 25 ADB Ave., Ortigas Center Pasig City
APPT. No. 114 (2018-2019) – Roll No. 68925
PTR No. 3867889; 01-11-2018; Pasig City
IBP No. 021558; 01-10-2018; Makati

CYBER BAY CORPORATION
SEPARATE STATEMENTS OF FINANCIAL POSITION

	Note	**December 31** **2017**	2016
ASSETS			
Current Assets			
Cash in banks	*4*	**P1,128,855**	P753,993
Receivables - net	*5*	**-**	-
Total Current Assets		**1,128,855**	753,993
Noncurrent Assets			
Investment in and receivables from a subsidiary - net	*4, 6*	**612,029,291**	611,849,644
Other noncurrent assets - net	*4, 7*	**1,020,286**	736,442
Total Noncurrent Assets		**613,049,577**	612,586,086
		P614,178,432	P613,340,079
LIABILITIES AND CAPITAL DEFICIENCY			
Current Liabilities			
Accounts payable and accrued expenses	*4, 8*	**P9,218,022**	P9,208,481
Due to related parties	*4, 9*	**2,104,004,329**	2,097,272,292
Total Current Liabilities		**2,113,222,351**	2,106,480,773
Capital Deficiency			
Capital stock	*10*	**6,970,081,395**	6,970,081,395
Additional paid-in capital		**2,902,072,772**	2,902,072,772
Deficit	*1*	**(11,371,198,086)**	(11,365,294,861)
Capital Deficiency		**(1,499,043,919)**	(1,493,140,694)
		P614,178,432	P613,340,079

See Notes to the Separate Financial Statements.

CYBER BAY CORPORATION
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2017**	2016
REVENUE			
Interest income		**P1,130**	P2,438
EXPENSES			
General and administrative	*11*	**2,587,671**	1,928,431,564
Interest	*9a*	**3,316,684**	2,884,073
		5,904,355	1,931,315,637
LOSS BEFORE INCOME TAX		**(5,903,225)**	(1,931,313,199)
INCOME TAX EXPENSE	*12*	**-**	-
NET LOSS/TOTAL COMPREHENSIVE LOSS	*1*	**(P5,903,225)**	(P1,931,313,199)

See Notes to the Separate Financial Statements.

CYBER BAY CORPORATION

SEPARATE STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY

		2017		2016	
	Note	**Number of Shares**	**Amount**	Number of Shares	Amount
CAPITAL STOCK					
Preferred stock - P0.10 par value					
Authorized		**7,000,000,000**		7,000,000,000	
Issued and outstanding		**6,467,950,603**	**P646,795,060**	6,467,950,603	P646,795,060
Common shares - P1 par value					
Authorized		**7,300,000,000**		7,300,000,000	
Issued and outstanding		**5,985,061,853**	**5,985,061,853**	5,985,061,853	5,985,061,853
Common shares at end of year		**5,985,061,853**	**5,985,061,853**	5,985,061,853	5,985,061,853
Subscribed shares (net of subscriptions receivable of P483,592,518)		**338,224,482**	**338,224,482**	338,224,482	338,224,482
Balance at end of year	*10*	**6,323,286,335**	**6,323,286,335**	6,323,286,335	6,323,286,335
			6,970,081,395		6,970,081,395
ADDITIONAL PAID-IN CAPITAL					
Balance at end of year			**2,902,072,772**		2,902,072,772
DEFICIT					
Balance at beginning of year			**(11,365,294,861**		(9,433,981,662)
Net loss for the year	*1*		**(5,903,225)**		(1,931,313,199)
Balance at end of year	*1*		**(11,371,198,086)**		(11,365,294,861)
			(P1,499,043,919)		(P1,493,140,694)

Years Ended December 31

See Notes to the Separate Financial Statements.

CYBER BAY CORPORATION
SEPARATE STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss before income tax		**(P5,903,225)**	(P1,931,313,199)
Adjustments for:			
Impairment loss on receivables		**-**	1,926,718,832
Interest expense and penalties	*9a*	**3,316,684**	2,884,073
Interest income		**(1,130)**	(2,438)
Operating loss before working capital changes		**(2,587,671)**	(1,712,732)
Increase in accounts payable and accrued expenses		**9,541**	5,459
Cash absorbed by operations		**(2,578,130)**	(1,707,273)
Interest received		**1,130**	2,438
Net cash used in operating activities		**(2,577,000)**	(1,704,835)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in:			
Other noncurrent assets		**(283,844)**	(173,412)
Receivables from a subsidiary		**(179,647)**	(222,754)
Net cash used in investing activities		**(463,491)**	(396,166)
CASH FLOWS FROM A FINANCING ACTIVITY			
Increase in due to related parties		**3,415,353**	1,822,222
NET INCREASE (DECREASE) IN CASH IN BANKS		**374,862**	(278,779)
CASH IN BANKS AT BEGINNING OF YEAR		**753,993**	1,032,772
CASH IN BANKS AT END OF YEAR		**P1,128,855**	P753,993

See Notes to the Separate Financial Statements.

1. Reporting Entity and Status of Operations

a. Reporting Entity

Cyber Bay Corporation (Cyber Bay or the "Parent Company") was incorporated in the Philippines in 1989. Cyber Bay is involved in real estate development (except real estate subdivision) and reclamation. The registered office address of Cyber Bay is at Suite 2402 Discovery Centre, ADB Avenue, Ortigas Center, Pasig City.

On March 30, 1996, the Parent Company, Central Bay Reclamation and Development Corporation (Central Bay or the "Subsidiary") and certain shareholders of Central Bay entered into a Memorandum of Agreement which involved the restructuring of the Parent Company and the consolidation of certain businesses and assets of the Parent Company and the Subsidiary.

The restructuring of the Parent Company entailed the transfer to Prime Orion Philippines, Inc. (POPI) of the Parent Company's investments in the following corporations: Tutuban Properties Inc., Guoco Property Development Inc., Manila Southcoast Development Corporation, Mandaue Resources and Realty Corporation, Luck Hock Venture Holdings, Inc., First Lepanto Ceramic Wares Inc. and First Lepanto Realty, Inc. and the settlement of all intercompany liabilities relating to such corporations.

The business consolidation involved the issuance by the Parent Company of 4 billion shares of stock (with par value P1.00 per share) to certain Central Bay shareholders in exchange for 4.8 million Central Bay shares of stock (with par value of P100.00 per share) held by the Central Bay shareholders. Upon completion of the business consolidation, the Parent Company assumed full ownership of the Subsidiary, including the latter's Joint Venture Agreement (JVA) with the Philippine Reclamation Authority (PRA) (formerly known as the Public Estates Authority) entered into on April 25, 1995. This is for the complete and entire reclamation and horizontal development of a portion of the Manila-Cavite Coastal Road and Reclamation Project (the "Project") consisting of three partially reclaimed and substantially eroded islands (the "Three Islands") along Emilio Aguinaldo Boulevard in Parañaque and Las Piñas, Metro Manila with a combined total area of 157.8 hectares, another area of 242.2 hectares contiguous to the Three Islands and, at the Subsidiary's option as approved by the PRA, an additional 350 hectares more or less to regularize the configuration of the reclaimed area. The Subsidiary proceeded with the implementation of the Project after having obtained all the government licenses, environmental and other permits and approvals necessary for the reclamation.

With the project, the Parent Company is afforded a unique flagship waterfront development; at 750 hectares, it is intended to be a substantial fully integrated township that can spearhead the redevelopment of the Manila Bay in tandem with the government's progressive Bay City Development.

However, as ruled and decided by the Supreme Court on July 9, 2002 and after filing for motion for reconsideration and motion for re-deliberation, the JVA is considered to be null and void *ab initio* on the ground that the reclaimed parcels of land are part of the public domain and cannot be disposed of by the PRA to private corporations.

Despite the nullity of the JVA, the Subsidiary is not precluded by the Supreme Court from recovering from the PRA, costs and expenses incurred in implementing the JVA prior to its nullification.

The Subsidiary has spent a considerable amount on the Project which continues to be charged with interest costs. Without prejudice to any other rights and remedies to which the Subsidiary may be entitled to pursuant to the JVA and/or the law, the claims for reimbursements must be submitted to the PRA.

The Parent Company and the Subsidiary pursued the filing of the claims with the PRA for the reimbursements of the total project development cost, project-related receivables and the corresponding interest thereon.

On August 10, 2007, the Parent Company, on behalf of the Subsidiary, filed its claim for reimbursement with the PRA amounting to P10.23 billion for the initial payment of all costs, losses, liabilities and expenses computed as at December 31, 2006. On August 17, 2007, the PRA requested for the details and supporting documents of the claims which the Parent Company provided on September 5, 2007.

On July 15, 2008 the Parent Company requested for an update on the status of the claim and on July 18, 2008, the PRA responded that it is still evaluating the claim with the supporting documents submitted by the Parent Company.

On November 20, 2009, the Parent Company, through a letter sent to the PRA, demanded for the payment of approximately P13.4 billion. This amount represents all costs, losses, liabilities, and expenses incurred by the Subsidiary computed as of September 2009 pursuant to the JVA.

On February 8, 2010, the PRA, through a letter, informed the Subsidiary that based on the books and records of the PRA, it was able to verify a total amount of P1.004 billion of the Subsidiary's claims which are still subject to audit by the Commission on Audit (COA). In this regard, the Subsidiary is directed to furnish PRA with duly certified details of the said amount including all supporting documents, official receipts and other proof of payments as well as audited financial statements. The Subsidiary provided the requested documents on March 5, 2010. Management intends to cooperate with the PRA in order to process its claims.

On December 13, 2010, the Subsidiary filed a petition with the COA to claim for reimbursement the revised amount of P11.5 billion (from the initial claim of P13.4 billion) and not P1.004 billion as initially verified by the PRA. Considering that the PRA has already validated and acknowledged the Subsidiary's claim for reimbursement amounting to P1.004 billion, the only issue submitted to the COA is whether or not the other claims are likewise rightful items for reimbursement. The Subsidiary and the PRA panel engaged in weekly meetings and discussions from May to October 2011 in order to discuss and validate the Parent Company's claim for reimbursement for project costs. The Subsidiary has submitted its final report on November 8, 2011.

On February 3, 2014, the PRA informed the Subsidiary that it has verified an additional amount for reimbursement bringing the total validated amount to P1.027 billion.

On October 14, 2016, the Subsidiary and the PRA entered into a Compromise Agreement where the PRA shall cede to the Subsidiary parcels of land with value equal to Central Bay's validated claim of P1.027 billion. In exchange, the Subsidiary shall waive all other claims which is the subject of the pending petition filed with the COA and any other claims arising from or in connection with the JVA. The Compromise Agreement shall become effective upon approval by the COA.

On November 22, 2016, the Subsidiary and the PRA filed a Joint Motion for Judgment ("Joint Motion") based on the Compromise Agreement with COA. As at March 28, 2018, no formal response on the Joint Motion has been received by the parties from COA.

b. Status of Operations

For the years 2017 and 2016, the Parent Company continues to reduce its operational expenses and, through the efforts of its limited personnel and utilizing very restricted resources, the Parent Company and the Subsidiary were able to consolidate all the records pertaining to the Project from its local and foreign partners.

Due to the cessation of the Project, the Parent Company failed to honor its loan commitments and has incurred significant losses from accumulating interest costs and penalties. Net losses incurred for the years ended December 31, 2017 and 2016 amounted to P5.9 million and P1.9 billion, respectively. The accumulated deficit as at December 31, 2017 and 2016 amounted to P11.4 billion. The capital deficiency as at December 31, 2017 and 2016 amounted to P1.5 billion.

Despite the nullification of the JVA, management still intends to continue the Parent Company's operations and utilize any reimbursement that it may obtain from the PRA to fund other business and development ventures.

The ability of the Parent Company and the Subsidiary to continue as going concern entities will depend on the recoverability of the Subsidiary's claims for reimbursement from the PRA and on the success of any business that the Parent Company and the Subsidiary may undertake. All of these matters indicate the existence of a material uncertainty which casts significant doubt about the ability of the Parent Company and the Subsidiary to continue as going concern entities.

2. Basis of Preparation

Statement of Compliance

The separate financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board. PFRS consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council and approved by the Philippine Board of Accountancy.

In full compliance with PFRS 10, Consolidated Financial Statements, the Parent Company also prepares and issues consolidated financial statements for the same period in which it consolidates its investment in a subsidiary. Such consolidated financial statements provide information about the economic activities of the Parent Company and the Subsidiary. The consolidated financial statements are available through the Philippine Stock Exchange.

The separate financial statements as at and for the year ended December 31, 2017 were approved and authorized for issuance by the Parent Company's Board of Directors (BOD) on March 28, 2018.

Basis of Measurement

The separate financial statements have been prepared using the historical cost basis of accounting.

Functional and Presentation Currency

The separate financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All values are rounded off to the nearest peso, except when otherwise stated.

Use of Judgments, Estimates and Assumptions

The preparation of the Parent Company's separate financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the separate financial statements at the reporting date. However, uncertainty about judgments and estimates could result in outcomes that could require a material adjustment to the carrying amount of assets or liabilities in the future.

Judgments and estimates are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgment and estimates are revised and in any future periods affected.

Judgments

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

Going Concern

The Parent Company has reported a deficit amounting to P11.4 billion as at December 31, 2017 and 2016. The ability of the Parent Company to continue as a going concern will depend on the recoverability of the Subsidiary's claims for reimbursement from the PRA and on the success of any business that the Company may undertake. Management assessed that the Subsidiary will be able to recover a sufficient amount of the Subsidiary's claims to allow the Parent Company and the Subsidiary to operate on a going concern basis. Accordingly, these financial separate statements are prepared on a going concern basis.

Provisions

The Parent Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risks and uncertainties into account. As at December 31, 2017 and 2016, the Parent Company does not have any legal or constructive obligations that require provision.

Contingencies
The Parent Company is currently involved in various legal proceedings. The Parent Company's estimate of the probable costs for the resolution of these claims has been developed in consultation with its legal counsel handling the prosecution and defense of these cases and is based upon an analysis of potential results. As at December 31, 2017 and 2016, the Parent Company did not accrue any possible losses as a result of the legal claims as management has assessed that these cases will not have a material adverse effect on the Parent Company's financial position and results of operations.

Estimates and Assumptions
The key estimates and assumptions used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the separate financial statements. Actual results could differ from these estimates:

Estimating Allowance for Impairment Losses on Receivables
Impairment losses are made for specific and groups of accounts, where objective evidence of impairment exists. The Parent Company evaluates these accounts based on available facts and circumstances.

As at December 31, 2017 and 2016, the Parent Company's allowance for impairment losses on receivables amounted to P7.5 million (see Note 5). As at December 31, 2017 and 2016, the Parent Company's allowance for impairment losses on receivables from related parties amounted to P0.2 million (see Note 7).

Estimating Allowance for Impairment Losses on Nonfinancial Assets
The Parent Company assesses impairment on other noncurrent assets and nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The factors that the Parent Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to the expected historical or projected future operating results;

- significant changes in the manner of use of the acquired assets or the strategy for overall business; and

- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

As at December 31, 2017 and 2016, allowance for impairment losses on investment in and receivables from a Subsidiary amounted to P8.9 billion (see Note 6) while allowance for impairment losses on other noncurrent assets amounted to P3.0 million (see Note 7).

Estimating Realizability of Deferred Tax Assets
The Parent Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

As at December 31, 2017 and 2016, the total amount of temporary differences and unused tax losses for which deferred tax assets have not been recognized is P8.9 billion (see Note 12).

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these separate financial statements, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Company has adopted the following amendments to standards starting January 1, 2017 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's separate financial statements.

- *Disclosure Initiative (Amendments to PAS 7, Statement of Cash Flows)*. The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12, Income Taxes)*. The amendments clarify that:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2017. However, the Company has not applied the following new or amended standards in preparing these separate financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's separate financial statements.

Effective January 1, 2018

- *PFRS 15, Revenue from Contracts with Customers* replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

  The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- *PFRS 9, Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

<u>Financial Assets</u>
Date of Recognition. The Parent Company recognizes a financial asset or a financial liability in the separate statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of financial assets and financial liabilities, except for financial instruments measured at fair value through profit or loss (FVPL). Purchases or sales of financial assets are recognized on the settlement date.

Financial assets are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and available-for-sale (AFS) financial assets. The Parent Company determines the classification at initial recognition and where allowed and appropriate, re-evaluates such designation at every reporting date. The Parent Company has not designated any financial assets as financial assets at FVPL, HTM investments or AFS financial assets.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition that are an integral part of the effective interest rate. The amortization is included as interest income in profit or loss. The losses arising from impairment of such loans and receivables are recognized in profit or loss.

The Parent Company's cash in banks and security deposits are included in this category.

Cash in banks are stated at its face value.

Financial Liabilities

Financial liabilities are classified into two categories: financial liabilities at FVPL and other financial liabilities. The Parent Company determines the classification at initial recognition and where allowed and appropriate, re-evaluates such designation at every reporting date. The Parent Company has not designated any financial liabilities at FVPL.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g., accounts payable and accrued expenses, due to related parties) or borrowings (e.g., loans payable).

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

The Parent Company's accounts payable and accrued expenses and due to related parties are included in this category.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the separate statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derecognition of Financial Assets and Liabilities

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

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

- the Parent Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

- the Parent Company has transferred its rights to receive cash flows from the asset and either has: (a) transferred substantially all the risks and rewards of the asset; or (b) neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Parent Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

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

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss.

If, in subsequent years, the amount of estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Investment in a Subsidiary
The investment is carried in the separate statements of financial position at cost less any impairment in value. The Parent Company recognizes income from the investment only to the extent that the Parent Company receives distributions from accumulated profits of the Subsidiary arising after the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction of the cost of the investment.

A subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed 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.

The reporting dates of the Parent Company and its Subsidiary are identical and their accounting policies conform to those used by the Parent Company for like transactions and events in similar circumstances.

<u>Impairment of Nonfinancial Assets</u>
The carrying amount of investment in a Subsidiary is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount. The recoverable amount of the asset is the greater of fair value less costs of disposal and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

<u>Capital Stock</u>
Capital stock is composed of common shares and preferred shares and is classified as equity. Incremental cost directly attributable to the issue of capital stock, if any, is recognized as a deduction from equity, net of any tax effects.

Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the Parent Company's option, and any dividends within equity upon approval by the Parent Company's BOD.

Preferred shares are classified as liability if they are redeemable on a specific date or at the option of the stockholders, or if dividend payments are not discretionary. Dividends thereon are recognized as "interest expense" in the separate statements of comprehensive income as accrued.

<u>Additional paid-in capital</u>
When shares are sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account.

<u>Revenue Recognition</u>
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and the revenue can be measured reliably.

Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Expense Recognition

Expenses are recognized upon receipt of goods or utilization of services, or at the date they are incurred.

Expenses are also recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized in profit or loss on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the separate statements of financial position as an asset.

Income Taxes

Income tax for the year is comprised of current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and the carry forward benefits of net operating loss carry over (NOLCO). Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the assets are realized or the liabilities are settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off deferred tax assets against deferred tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Provisions

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

Contingencies

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

Events After the Reporting Date

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

4. Financial Risk Management

The Parent Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Interest Rate Risk

This note presents information about the Parent Company's exposure to each of the above risks, the Parent Company's objectives, policies and processes for measuring and managing risks, and the Parent Company's management of capital.

The BOD has overall responsibility for the establishment and oversight of the Parent Company's risk management framework, and for development and monitoring of the Parent Company's risk management policies.

Credit Risk

Credit risk is the risk of financial loss to the Parent Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Parent Company's cash in banks, receivables, receivables from a Subsidiary, receivables from related parties and security deposits.

The aging of the Parent Company's financial assets subject to credit risk are as follows:

	December 31, 2017			
	Gross Carrying Amount	**Neither Past Due nor Impaired**	**Past Due but not Impaired**	**Overdue and Impaired**
Cash in banks	**P1,128,855**	**P1,128,855**	**P -**	**P -**
Receivables	**7,489,854**	**-**	**-**	**7,489,854**
Receivables from a subsidiary	**5,265,568,847**	**-**	**612,029,291**	**4,653,539,556**
Receivables from related parties	**195,854**	**-**	**-**	**195,854**
Security deposits	**139,739**	**-**	**-**	**139,739**
	P5,274,523,149	**P1,128,855**	**P612,029,291**	**P4,661,365,003**

	December 31, 2016			
	Gross Carrying Amount	Neither Past Due nor Impaired	Past Due but not Impaired	Overdue and Impaired
Cash in banks	P753,993	P753,993	P -	P -
Receivables	7,489,854	-	-	7,489,854
Receivables from a subsidiary	5,265,389,200	-	611,849,644	4,653,539,556
Receivables from related parties	195,854	-	-	195,854
Security deposits	139,739	-	-	139,739
	P5,273,968,640	P753,993	P611,849,644	P4,661,365,003

High grade financial assets are those assessed as having minimal credit risk, otherwise, they are of standard quality.

As at December 31, 2017 and 2016, the credit quality of the Company's cash in banks is high grade given that the credit risk for cash in banks is considered negligible since the counterparties are reputable entities with high quality external credit rating.

Liquidity Risk

Liquidity risk is the risk that the Parent Company will not be able to meet its financial obligations as they fall due. The Parent Company is exposed to the possibility that adverse changes in the business environment and/or operations would result in substantially higher working capital requirements and the subsequent difficulty in financing additional working capital.

As discussed in Note 1, the ability of the Parent Company to continue as a going concern entity will depend on the recoverability of the Subsidiary's claims for reimbursement from the PRA and on the success of any business that the Parent Company may undertake. The Parent Company is in default of its loan obligations since October 1998.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding impact of netting agreements:

		As at December 31, 2017				
	Note	**Carrying Amount**	**Contractual Cash Flow**	**6 Months or Less**	**6 - 12 Months**	**Over One Year**
Nonderivative Financial Liabilities						
Accounts payable and accrued expenses*	*8*	**P9,201,122**	**P9,201,122**	**P9,201,122**	**P -**	**P -**
Due to related parties	*9*	**2,104,004,329**	**2,104,044,329**	**2,104,044,329**	**-**	**-**
		P2,113,205,451	**P2,113,205,451**	**P2,113,205,451**	**P -**	**P -**

**Excluding withholding tax payable amounting to P16,900*

		As at December 31, 2016				
	Note	Carrying Amount	Contractual Cash Flow	6 Months or Less	6 - 12 Months	Over One Year
Nonderivative Financial Liabilities						
Accounts payable and accrued expenses*	*8*	P9,191,422	P9,191,422	P9,191,422	P -	P -
Due to related parties	*9*	2,097,272,292	2,097,272,292	2,097,272,292	-	-
		P2,106,463,714	P2,106,463,714	P2,106,463,714	P -	P -

**Excluding withholding tax payable amounting to P17,059*

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rate. The Parent Company's exposure to changes in interest rates relates primarily to its due to related parties. Borrowings issued at fixed rates expose the Parent Company to fair value interest rate risk. On the other hand, borrowings issued at variable rates expose the Parent Company to cash flow interest rate risk.

For the years ended December 31, 2017 and 2016, interest expense recognized on amounts due to related parties amounted to P3.3 million and P2.9 million, respectively (see Note 9).

The Parent Company manages its interest cost by using fixed rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charges on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

Fair Values Sensitivity Analysis for Fixed-rate Instruments

The Parent Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Fair Values

The carrying amounts of financial assets and liabilities approximate their fair values as at December 31, 2017 and 2016.

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments:

Cash in Banks and Receivables

The carrying amounts of cash in banks and receivables approximate their fair values due to the relatively short-term maturities of these financial assets. Receivables are reported at their net realizable amounts or at total amounts less allowances for estimated uncollectible accounts.

Accounts Payable and Accrued Expenses and Due to Related Parties

The carrying amounts of accounts payable and accrued expenses and due to related parties approximate their fair values due to the relatively short-term maturities of these financial liabilities.

Capital Management
As discussed in Note 1 to the separate financial statements, significant events have occurred indicating the existence of a material uncertainty which casts significant doubt about the ability of the Parent Company to continue as a going concern entity. The ability of the Parent Company to continue as a going concern entity will depend on the recoverability of the Subsidiary's claims for reimbursement and on the success of any business that the Parent Company and the Subsidiary may undertake.

The Parent Company monitors capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. Total debt is equivalent to accounts payable and accrued expenses and due to related parties. Total equity comprises capital stock, additional paid-in capital and deficit.

There were no changes in the Parent Company's approach to capital management during the year.

5. Receivables

This account consists of receivables from:

	Note	**2017**	2016
Tenants		**P7,327,297**	P7,327,297
Others		**162,557**	162,557
	4	**7,489,854**	7,489,854
Less allowance for impairment losses		**(7,489,854)**	7,489,854
		P -	P -

6. Investment in and Receivables from a Subsidiary

This account consists of:

	Note	**2017**	2016
The Subsidiary:			
Investment in shares of stock		**P4,259,559,247**	P4,259,559,247
Receivables	*4*	**5,265,568,847**	5,265,389,200
		9,525,128,094	9,524,948,447
Less allowance for:			
Impairment in value of shares of stock		**4,259,559,247**	4,259,559,247
Impairment losses on receivables		**4,653,539,556**	4,653,539,556
		8,913,093,803	8,913,098,803
		P612,029,291	P611,849,644

Receivables are non-interest bearing, unsecured and due and demandable.

The impairment losses on receivables amounting to P4.7 billion represents the amount that the Subsidiary used to finance the initial phase of the Project and for working capital requirements. In 2012, the Parent Company extended advances to the Subsidiary for payment of income tax amounting to P5.2 million. The Parent Company also provides advances to the Subsidiary to finance its working capital requirements such as professional fees and taxes and licenses.

As at December 31, 2017, the Subsidiary has negative working capital, with no available cash. Additional impairment losses on receivables amounting to P1.9 billion was recognized. The remaining P0.6 billion represents the amount expected to be recoverable from the PRA claim.

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

	2017	2016
Total assets	**P612,430,663**	P612,430,663
Total liabilities	**5,277,954,709**	5,277,743,598
Capital deficiency	**(4,665,524,046)**	(4,665,312,935)
Net loss	**(211,111)**	(205,089)

7. Other Noncurrent Assets

This account consists of:

	Note	**2017**	2016
Prepaid taxes		**P3,703,709**	P3,429,865
Receivables from related parties	*4*	**195,854**	195,854
Security deposits	*4*	**139,739**	139,739
Others		**30,142**	20,142
		4,069,444	3,785,600
Less allowance for impairment losses on:			
Prepaid taxes		**2,693,423**	2,693,423
Receivables from related parties		**195,854**	195,854
Security deposits		**139,739**	139,739
Others		**20,142**	20,142
		P1,020,286	P736,442

Prepaid taxes consist of input taxes and tax refund.

8. Accounts Payable and Accrued Expenses

This account consists of:

	Note	**2017**	2016
Accrued expenses	*4*	**P7,262,589**	P7,252,889
Payable to third party	*4*	**1,938,533**	1,938,533
Withholding tax payable		**16,900**	17,059
		P9,218,022	P9,208,481

Accrued expenses represent liabilities to suppliers for various expenses incurred by the Parent Company and the Subsidiary. The settlement of this account is highly dependent on the collection of claims from the PRA.

Payable to third party pertains to non-interest bearing advances from a certain company.

9. Related Party Transactions

In the ordinary course of business, the Parent Company has transactions with related parties summarized as follows:

Category	Year	Ref	Amount of Transaction	Outstanding Balances Due to Related Parties	Terms	Conditions
Shareholders						
POPI						
Cash advance	**2017**	***a***	**P -**	**P6,968,217**	Due and demandable;	Unsecured
	2016	*a*	-	6,968,217	interest bearing	
Interest expense	**2017**	***a***	**3,316,684**	**18,459,695**		
	2016	*a*	2,884,073	15,143,011		
Other Shareholders						
Cash advance	**2017**	***a***	**-**	**31,849,787**	Due and demandable;	Unsecured
	2016	*a*	-	31,849,787	interest bearing	
Interest expense	**2017**	***a***	**-**	**2,031,173,102**		
	2016	*a*	-	2,031,173,102		
Primera Commercio Holding, Inc. (Primera)						
Cash advance	**2017**	***b***	**3,415,353**	**13,517,963**	Due and demandable;	Unsecured
	2016	*b*	1,822,222	10,102,610	non-interest bearing	
Italian Thai						
Cash advance	**2017**	***c***	**-**	**2,035,565**	Due and demandable;	Unsecured
	2016	*c*	-	2,035,565	non-interest bearing	
	2017			**P2,104,004,329**		
	2016			P2,097,272,292		

a) Cash advances from POPI and other shareholders bear interest at 15% per annum, compounded annually until fully paid. The payment terms are stipulated in the Repayment Agreement for such advances and were approved by the BOD on March 14, 2003.

   At the option of the above shareholders, the advances shall be settled and paid according to any or a combination of the following:

   - In cash by the Parent Company;
   - In common shares of the Parent Company, through the issue, at par value, by the Parent Company of new common shares. Under this option, the shareholder must exercise his right to convert the Project-related payable into common shares of the Parent Company when the weighted average market price of the shares within a 30 trading day period is at P0.95 or above, at a price approximate to the par value of the shares; and
   - Through assignment by the Parent Company of all its rights, titles and interest in and to any salable portion of the reclaimed land in the Project, as identified by the above shareholders and subject to the BOD's approval.

   In 2016, the Parent Company and the other shareholders entered into an agreement wherein the interest due on the advances under the Repayment Agreement will be waived and will no longer accrue starting in 2016 until the advances are fully paid except for advances from POPI. Accordingly, interest accrued in 2017 pertains to the advances from POPI.

b) The Parent Company obtains non-interest bearing cash advances from Primera to support its day-to-day operations. These advances are payable on demand. As at December 31, 2017, Primera has not provided options for the Parent Company's settlement of the advances.

c) The Parent Company obtains cash advances from Italian Thai to be settled in cash. These advances are due and demandable as at December 31, 2017 and 2016.

d) The Company has no key management compensation in 2017 and 2016.

All amounts owed to related parties are to be settled in cash.

10. Capital Stock

Common Stock
The Parent Company had its only public offering for common stocks in 1991. The outstanding common stock as at December 31, 2017 and 2016 amounted to P6.32 million divided into 6.32 million shares.

Preferred Stock
The preferred stock which may be issued in tranches or series, are redeemable at the option of the Parent Company, non-voting, entitled to preferential and cumulative dividends at a rate not exceeding 12% per annum, and shall have such other rights, preferences, restrictions and qualifications consistent with the Parent Company's By-laws and the Articles of Incorporation, as may be fixed by the BOD at the time of their issuance.

As a result of the conversion of payables to equity on November 13, 2012, the Parent Company issued shares in full settlement of payable to stockholders amounting to P647.0 million and loan payable amounting to P3.6 billion. The additional paid-in capital, net of direct transaction costs, amounted to P2.9 billion. Direct transaction costs for the issuance of shares amounted to P9.08 million.

The table below shows the equivalent number of common and preferred shares issued to the stockholders of the Parent Company in relation to the conversion of debt to equity:

	Number of Shares	
Stockholders	Common	Preferred
One Bacolod Express Holdings, Inc.	364,577,424	1,609,359,778
Primera	167,578,190	4,858,590,825
Cosco Land Corporation	56,132,206	-
David Go Securities Corporation	42,924,628	-
POPI	15,666,405	-
	646,878,853	6,467,950,603

In 2005, the BOD also approved the conversion to equity of the Parent Company's payable to POPI and Orion Land, Inc. (a wholly-owned subsidiary of POPI) amounting to P44.5 million and P2.4 million, respectively, as partial payment for their subscriptions. The application for conversion of debt to equity has not been filed with the SEC as at December 31, 2017.

11. General and Administrative Expenses

This account consists of:

	Note	**2017**	2016
Professional fees		**P1,983,470**	P1,240,800
Listing and filing fees		**354,760**	290,170
Communications		**92,727**	104,028
Taxes and licenses		**20,507**	12,932
Impairment losses on receivables	*6*	**-**	1,926,718,832
Others		**136,207**	64,802
		P2,587,671	P1,928,431,564

12. Income Taxes

The reconciliation of income tax benefit computed at the statutory income tax rate to the income tax expense in profit or loss follows:

	2017	2016
Loss before income tax	**(P5,903,225)**	(P1,931,313,199)
Income tax at statutory rate of 30%	**(P1,770,968)**	(P579,393,960)
Additions to (reductions in) income tax resulting from:		
Movement in unrecognized deferred tax assets	**776,302**	578,529,469
Nondeductible interest expense	**995,005**	865,222
Interest income subject to final tax	**(339)**	(731)
	P -	P -

Deferred tax assets on the following temporary differences and unused NOLCO have not been recognized as the Parent Company may not have sufficient taxable income in the future to realize the benefits of the related deferred tax assets.

	2017	2016
Allowance for impairment in value and impairment losses on investment and receivables	**P8,913,098,803**	P8,913,098,803
Allowance for impairment losses on receivables	**7,489,854**	7,489,854
NOLCO	**6,058,060**	5,719,149
Allowance for impairment losses on other noncurrent assets	**3,049,158**	3,049,158
	P8,929,695,875	P8,929,356,964

As at December 31, 2017 the composition of NOLCO that can be claimed as deduction from future taxable income is as follows:

Year Incurred	Amount Incurred	Expired During the Year	Remaining Balance	Year of Expiration
2014	P2,248,760	(P2,248,760)	P -	2017
2015	1,757,657	-	1,757,657	2018
2016	1,712,732	-	1,712,732	2019
2017	2,587,671		2,587,671	2020
	P8,306,820	(P2,248,760)	P6,058,060	

Tax Reform for Acceleration and Inclusion Act

Republic Act 10963, *Tax Reform for Acceleration and Inclusion Act* (TRAIN) was signed into law on December 19, 2017 and took effect on January 1, 2018. While most of the changes will affect individuals, the TRAIN Law also introduced changes to income tax, VAT and excise taxes that may have an impact on the separate financial statements beginning taxable year 2018.

13. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the separate financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the separate financial statements which were prepared in accordance with PFRS. The following is the tax information required for the taxable year ended December 31, 2017:

Based on Revenue Regulations No. 15-2010

A. Value-added Tax (VAT)

Input VAT:	
Beginning of year	**P2,224,504**
Services lodged under other accounts	**273,843**
Balance at end of year	**P2,498,347**

B. Withholding Taxes

Expanded withholding taxes	**P150,599**

C. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under General and Administrative Expenses	
License and permit fees	**P20,507**

Information on landed cost of imports, customs duties and tariff fees paid or accrued and the amounts of output VAT, excise taxes and documentary stamp tax are not applicable since there were no transactions during the year subject to these taxes.

As at December 31, 2017, the Parent Company has no pending tax court cases and has not received tax assessment notices from the BIR.

CYBER BAY CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS
Amounts in Thousands

Schedule A. Marketable Securities

Name of Issuing entity and asssociation of each issue	Number of shares or rincipal aamounts of bond	Amount shown in balance sheet	Income received and accrued
Not Applicable			

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders

Name and Designation of debtor	Balance December 31, 2016	Additions	Amounts Collected	Amounts written off	Current	Not Current	Balance December 31, 2017
MCRP Construction Corp.	114,460						114,460
Tenants	7,327						7,327
Others	6,247						6,247
Allowance for doubtful accounts	(128,034)						(128,034)
TOTAL	-	-	-	-	-	-	-

CYBER BAY CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS
Amounts in Thousands

Schedule C. Non-Current Marketable Equity Securities, Other Long-Term Investment in Stocks, and Other Investments

Name of issuing entity	Number of shares principal amount	Amount in pesos	Equity in earnings (losses of investees) for the period	Other	Distribution of earnings by investees	Other	Number of shares principal amount	Amount in pesos	Dividends Received not accounted for by the equity method
		Not Applicable							

Schedule D. Indebtedness of Unconsolidated Subsidiaries and Affiliates

Name of Affiliates	Balance December 31, 2016	Balance December 31, 2017
Not Applicable		
TOTAL	**0**	**0**

CYBER BAY CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS
Amounts in Thousands

Schedule E. Property, Plant and Equipment

Classification	Balance December 31, 2016	Additions at Cost	Retirements	Other Changes	Balance December 31, 2017
Transportation Equipment	-	Not Applicable			-
Office Equipment	-				-
Furniture & Fixtures	-				-
Office Improvements	-				-
TOTAL	-	-	-	-	-

Schedule F. Accumulated Depreciation

Description	Balance December 31, 2016	Additions charged to expense	Retirements	Other Charges	Balance December 31, 2017
Transportation Equipment	-	Not Applicable			-
Office Equipment	-				-
Furniture & Fixtures	-				-
Office Improvements	-				-
TOTAL	-	-	-	-	-

CYBER BAY CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS
Amounts in Thousands

Schedule G. Other Assets

Description	Balance December 31, 2016	Additions at Cost	Charged to cost and expense	Charged to other accounts	Other Changes	Balance December 31, 2017
Pre-operating Expenses						-
Deferred Charges						-
Miscellaneous Deposit	140					140
Input Tax	2,223	274				2,497
Prepaid Expenses	1,206					1,206
Others	216	10				226
Allow for non recoverability	(3,049)					(3,049)
TOTAL	**736**	**284**	**0**	**0**	**0**	**1020**

Schedule H. Long Term Debt

Title of Issue and type of Obligation	Amount authorized	Current portion of Long Term Debt	Amount shown in Balance Sheet
Not Applicable			
TOTAL	-	-	-

CYBER BAY CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS
Amounts in Thousands

Schedule I. Indebtedness to Affiliates and Related Parties

Name of Affiliate	Balance December 31, 2016	Balance December 31, 2017
Primera Commercio Holdings, Inc.	10,102	13,517
Italian Thai (BVI) Int'l.	2,036	2,036
POPI	22,111	25,428
Other Shareholders	2,063,023	2,063,023
TOTAL	**2,097,272**	**2,104,004**

Schedule J. Guarantees of Securities of Other Isssuers

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
	Not Applicable			

CYBER BAY CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS
Amounts in Thousands

Schedule K. Capital Stock

Title of Issue	No. of shares authorized	No. of shares issued and outstanding	No. of shares reserved for options, warrants convertion and others	No. of shares held by affiliates	Directors, officers and employees	Others
Preferred	7,000,000	6,467,951				6,467,951
Common	7,300,000	6,806,879			32	6,806,847
TOTAL	**14,300,000**	**13,274,830**	**-**	**-**	**32**	**13,274,798**

CYBER BAY CORPORATION AND SUBSIDIARY
AGING OF ACCOUNTS RECEIVABLE
Amounts in Thousands
As of December 31, 2017

	Total	1 Month	2 Months	3 Months	4 Months& Over	Past Due Accounts & Items in Litigation
a. Trade Receivables						
1 Tenants	7,327					7,327
Less: Allowance	(7,327)					(7,327)
Net Trade Receivables	-	-	-	-	-	-
b. Non-Trade Receivables						
2 Public Estates Authority	611,850				611,850	
3 MCRP Construction Corp.	114,460				114,460	
4 Others	6,247				6,247	
Less: Allowance	(120,707)				(120,707)	
Net Non-Trade Receivables	611,850	-	-	-	611,850	-
TOTAL RECEIVABLES	611,850	-	-	-	611,850	-

Type of Receivable	Nature / Description	Collection Period
1 Tenants	Trade receivables from tenants	Under Litigation
2 Public Estates Authority	Intercompany Receivables	
3 MCRP Construction Corp.	Intercompany Receivables	
4 Others		

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

					1	6	5	5	3	9

COMPANY NAME

CYBER BAY CORPORATION AND A SUBSIDIARY

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

Suite 2402, Discovery Centre
ADB Avenue, Ortigas Center
Pasig City

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
NONE	**636-6980/633-9757**	**NONE**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
633	December 21, 2017	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Cheryl S. Saldana-De Leon Limuel P. Leal	loydeleon@gselawfirm.com lem@gsemsi.com	633-9757	

CONTACT PERSON's ADDRESS

24th Floor GSE Law, Suite 2402, Discovery Centre, ADB Avenue, Ortigas Center, Pasig City

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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

CYBER BAY CORPORATION AND A SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Cyber Bay Corporation and a Subsidiary
Suite 2402, Discovery Centre, ADB Avenue
Ortigas Center, Pasig City

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Cyber Bay Corporation and a Subsidiary (“the Group”), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in capital deficiency and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes, comprising a summary of significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

We draw attention to Note 1 to the consolidated financial statements. Central Bay Reclamation and Development Corporation (the “Subsidiary”) entered into a Joint Venture (JV) Agreement with the Philippine Reclamation Authority (“PRA”), formerly Public Estates Authority, for the complete and entire reclamation and horizontal development of a portion of the Manila-Cavite Coastal Road and Reclamation Project (the “Project”) and has made significant investments in the Project. However, the Supreme Court declared that the JV Agreement was null and void. The Subsidiary filed motions for reconsideration which were denied by the Supreme Court.

Due to the cessation of the Project, the Group failed to honor its loan commitments and has incurred significant losses from accumulating interests and penalties. The deficit as at December 31, 2017 and 2016 amounted to P11.4 billion. The Group’s capital deficiency as at December 31, 2017 and 2016 amounted to P1.5 billion.

Despite declaring the JV Agreement null and void, the Supreme Court decision provides that the Subsidiary is not precluded from recovering from the PRA in the proper proceedings whatever costs the Subsidiary may have incurred in implementing the JV Agreement prior to its declaration of nullity.

Pursuant to the Supreme Court's decision, the Group filed a claim for reimbursement with the PRA amounting to P11.5 billion, the realization of which is uncertain except for P1.0 billion which was verified and acknowledged in writing by the PRA. As at December 31, 2017 and 2016, the Subsidiary recognized a receivable from the PRA amounting to P0.6 billion without any allowance for impairment losses as Management assessed this to be fully recoverable, and Project Development Cost of P3.0 billion which is fully provided with allowance for impairment.

On October 14, 2016, the Subsidiary and the PRA entered into a Compromise Agreement where the PRA shall cede to the Subsidiary parcels of land with value equal to the validated claim of the Subsidiary amounting to P1.027 billion. In exchange, the Subsidiary shall waive all other claims which is the subject of the pending petition filed by the Group with the Commission on Audit (COA) and any other claims arising from or in connection with the JV Agreement. The Compromise Agreement shall become effective upon approval by the COA.

On November 22, 2016, the Subsidiary and the PRA filed a Joint Motion for Judgment ("Joint Motion") based on the Compromise Agreement with COA. As at March 28, 2018, no formal response on the Joint Motion has been received by the parties from COA.

Management intends to utilize any reimbursement that it may obtain from the PRA to fund other business and development ventures and sustain the continuing operations of the Group. Accordingly, the consolidated financial statements are prepared on a going concern basis. However, due to the uncertainty over the Compromise Agreement, particularly its approval and the value of the parcels of land to be ceded in settlement of the Subsidiary's claims, and the uncertainty of any reimbursement should the Compromise Agreement not materialize, the continuance of operations cannot be assured. This raises significant doubt about the Group's ability to continue as a going concern.

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 Group'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 Group 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Philippine Standards on Auditing and to issue an auditors' report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Darwin P. Virocel.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 1386-AR, Group A, valid until June 14, 2020
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-31-2016
Issued October 18, 2016; valid until October 17, 2019
PTR No. 6615157MD
Issued January 3, 2018 at Makati City

March 28, 2018
Makati City, Metro Manila

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226

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Email	ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
Cyber Bay Corporation and a Subsidiary
Suite 2402, Discovery Centre, ADB Avenue
Ortigas Center, Pasig City

We were engaged to audit the accompanying consolidated financial statements of Cyber Bay Corporation and a Subsidiary (collectively referred to as the "Group") as at and for each of the three years in the period ended December 31, 2017, included in this form 17-A, on which we have rendered our report thereon dated March 28, 2018.

We were engaged for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management. Such additional components include:

- Schedule of Philippine Financial Reporting Standards
- Supplementary Schedules of Annex 68-E

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the consolidated financial statements. Such information is the responsibility of management. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraphs, we do not express an opinion on the information referred to above.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 1386-AR, Group A, valid until June 14, 2020
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-31-2016
Issued October 18, 2016; valid until October 17, 2019
PTR No. 6615157MD
Issued January 3, 2018 at Makati City

March 28, 2018
Makati City, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **CYBER BAY CORPORATION** is responsible for the preparation and fair presentation of the financial statements of **CYBER BAY CORPORATION and Subsidiary** (Company) including the schedules attached therein, for the years December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Directors review and approve the financial statements including the schedules attached therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditor 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.

OSCAR L. PARAS, JR.
Chairman

RAUL G. GERODIAS
President

LIMUEL P. LEAL
Treasurer

SUBSCRIBED AND SWORN to before me this 15th day of April 2018 in Pasig City, affiants having exhibited to me the following:

Name	Community Tax Certificate	Competent Evidence of Identity
Oscar L. Paras, Jr.		TIN 168-499-479
Raul G. Gerodias	CTC No. 7799507/01/05/2018/Pasig	TIN 129-434-349
Limuel P. Leal	CTC No. 7799541/01/05/2018/Pasig	TIN 416-070-614

Doc. No. 146;
Page No. 31;
Book No. I;
Series of 2018.

ARVY BRIAN M. UY
Notary Public for the Cities of Pasig, San Juan
And Municipality of Pateros
Commission until 31 December 2019
2404 Discovery Center 25 ADB Ave., Ortigas Center Pasig City
APPT. No. 114 (2018-2019) – Roll No. 68925
PTR No. 3867889; 01-11-2018; Pasig City
IBP No. 021558; 01-10-2018; Makati

CYBER BAY CORPORATION AND A SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

		December 31	
	Note	**2017**	2016
ASSETS			
Current Assets			
Cash in banks	*4*	**P1,129**	P754
Receivables - net	*4, 5*	**611,850**	611,850
Prepaid income tax		**581**	581
Total Current Assets		**P613,560**	613,185
Noncurrent Assets			
Project development cost:	*1, 6*		
Cost		**6,612,964**	6,612,964
Allowance for impairment in value		**(6,612,964)**	(6,612,964)
		-	-
Other noncurrent assets - net	*4, 7*	**1,020**	736
Total Noncurrent Assets		**1,020**	736
		P614,580	P613,921
LIABILITIES AND CAPITAL DEFICIENCY			
Current Liabilities			
Accounts payable and accrued expenses	*4, 8*	**P21,595**	P21,784
Due to related parties	*4, 9*	**2,104,004**	2,097,272
Total Current Liabilities		**2,125,599**	2,119,056
Capital Deficiency			
Capital stock	*10*	**6,970,081**	6,970,081
Additional paid-in capital	*10*	**2,902,073**	2,902,073
Deficit	*1*	**(11,383,173)**	(11,377,289)
Total Capital Deficiency		**(1,511,019)**	(1,505,135)
		P614,580	P613,921

See Notes to the Consolidated Financial Statements.

CYBER BAY CORPORATION AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

		Years Ended December 31		
	Note	**2017**	2016	2015
REVENUES				
Interest income		**P1**	P2	P4
EXPENSES				
Interest expense	*9*	**3,317**	2,884	271,598
General and administrative expenses	*11*	**2,568**	1,917	2,175
		5,885	4,801	273,773
LOSS BEFORE INCOME TAX		**(5,884)**	(4,799)	(273,769)
INCOME TAX EXPENSE	*12*	**-**	-	-
NET LOSS/TOTAL COMPREHENSIVE LOSS		**(P5,884)**	(P4,799)	(P273,769)
BASIC AND DILUTED LOSS PER SHARE	*13*	**(P0.001)**	(P0.001)	(P0.043)

See Notes to the Consolidated Financial Statements.

CYBER BAY CORPORATION AND A SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY

(Amounts in Thousands, Except Par Value and Number of Shares)

		Years Ended December 31					
		2017		2016		2015	
	Note	**Number of Shares**	**Amount**	Number of Shares	Amount	Number of Shares	Amount
PREFERRED STOCK	*10*						
Preferred stock - P0.10 par value							
Authorized		**7,000,000,000**		7,000,000,000		7,000,000,000	
Preferred shares issued and outstanding at beginning and end of year		**6,467,950,603**	**P646,795**	6,467,950,603	P646,795	6,467,950,603	P646,795
COMMON STOCK	*10*						
Common shares - P1 par value							
Authorized		**7,300,000,000**		7,300,000,000		7,300,000,000	
Common shares issued and outstanding		**5,985,061,853**	**5,985,062**	5,985,061,853	5,985,062	5,985,061,853	5,985,062
Subscribed shares (net of subscriptions receivable of P483,593)		**338,224,482**	**338,224**	338,224,482	338,224	338,224,482	338,224
Balance at beginning and end of year		**6,323,286,335**	**6,323,286**	6,323,286,335	6,323,286	6,323,286,335	6,323,286
			6,970,081		6,970,081		6,970,081
ADDITIONAL PAID-IN CAPITAL							
Balance at beginning and end of year	*10*		**2,902,073**		2,902,073		2,902,073
DEFICIT							
Balance at beginning of year			**(11,377,289)**		(11,372,490)		(11,098,721)
Net loss/total comprehensive loss for the year			**(5,884)**		(4,799)		(273,769)
Balance at end of year			**(11,383,173)**		(11,377,289)		(11,372,490)
			(P1,511,019)		(P1,505,135)		(P1,500,336)

See Notes to the Consolidated Financial Statements.

CYBER BAY CORPORATION AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

		Years Ended December 31		
	Note	**2017**	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax		**(P5,884)**	(P4,799)	(P273,769)
Adjustments for:				
Interest expense	*9a*	**3,317**	2,884	271,598
Interest income		**(1)**	(2)	(4)
Operating loss before working capital changes		**(2,568)**	(1,917)	(2,175)
Increase (decrease) in accounts payable and accrued expenses		**(189)**	(13)	194
Net cash absorbed by operations		**(2,757)**	(1,930)	(1,981)
Interest received		**1**	2	4
Net cash used in operating activities		**(2,756)**	(1,928)	(1,977)
CASH FLOWS FROM AN INVESTING ACTIVITY				
Increase in other noncurrent assets		**(284)**	(173)	(167)
CASH FLOWS FROM A FINANCING ACTIVITY				
Increase in due to related parties		**3,415**	1,822	-
NET INCREASE (DECREASE) IN CASH IN BANKS		**375**	(279)	(2,144)
CASH IN BANKS AT BEGINNING OF YEAR		**754**	1,033	3,177
CASH IN BANKS AT END OF YEAR		**P1,129**	P754	P1,033

See Notes to the Consolidated Financial Statements.

CYBER BAY CORPORATION AND A SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands)

1. Reporting Entity and Status of Operations

a. Reporting Entity

Cyber Bay Corporation (the "Parent Company") and its subsidiary, Central Bay Reclamation and Development Corporation ("Central Bay" or "Subsidiary") [collectively referred to as the "Group"] were incorporated in the Philippines.

Parent Company
The Parent Company was incorporated in 1989 and is involved in real estate development (except real estate subdivision) and reclamation. The Parent Company's shares are listed at the Philippine Stock Exchange (PSE) under the stock symbol "CYBR" since March 19, 1991.

The registered office address of the Parent Company is at Suite 2402, Discovery Centre, ADB Avenue, Ortigas Center, Pasig City.

Subsidiary
The Subsidiary was registered with the Philippine Securities and Exchange Commission (SEC) on December 5, 1994 to engage in real estate development (except real estate subdivision) and reclamation. As at December 31, 2017, the Company has not yet started commercial operations. However, it is not subject to the provision in Section 22 of the Corporation Code of the Philippines, Effects on non-use of corporate charter and continuous inoperation of a Corporation, since the failure to organize or commence the transactions of its businesses or the construction of its works or to continuously operate is due to causes beyond the control of the Subsidiary.

Update on Operations of the Group
On April 25, 1995, the Subsidiary entered into a Joint Venture Agreement (JVA) with the Philippine Reclamation Authority (PRA), formerly Public Estates Authority, for the complete and entire reclamation and horizontal development of a portion of the Manila-Cavite Coastal Road and Reclamation Project (the "Project") consisting of three partially reclaimed and substantially eroded islands (the "Three Islands") along Emilio Aguinaldo Boulevard in Paranaque and Las Piñas, Metro Manila with a combined total area of 157.8 hectares, another area of 242.2 hectares contiguous to the Three Islands and, at the Subsidiary's option as approved by the PRA, an additional 350 hectares more or less to regularize the configuration of the reclaimed area. The Subsidiary proceeded with the implementation of the Project after having obtained all the government licenses, environmental and other permits and approvals necessary for the reclamation.

On March 30, 1996, the Parent Company, the Subsidiary and certain shareholders of the Subsidiary entered into a Memorandum of Agreement which involved the restructuring of the Parent Company and the consolidation of certain businesses and assets of the Parent Company and the Subsidiary.

The restructuring of the Parent Company entailed the transfer to Prime Orion Philippines, Inc. (POPI) of the Parent Company's investments in the following corporations: Tutuban Properties Inc., Guoco Property Development Inc., Manila Southcoast Development Corporation, Mandaue Resources and Realty Corporation, Luck Hock Venture Holdings, Inc., First Lepanto Ceramic Wares Inc. and First Lepanto Realty, Inc. and the settlement of all intercompany liabilities relating to such corporations.

The business consolidation involved the issuance by the Parent Company of 4 billion shares of stock (with par value P1.00 per share) to certain Central Bay shareholders in exchange for 4.8 million Central Bay shares of stock (with par value of P100.00 per share) held by the Central Bay shareholders. Upon completion of the business consolidation, the Parent Company assumed full ownership of the Subsidiary, including the latter's JVA with the PRA to reclaim the "Three Islands" with a total area of 750 hectares along Manila Bay as its new property core holding.

However, as ruled and decided by the Supreme Court on July 9, 2002 and after filing for motion for reconsideration and motion for re-deliberation, the JVA is considered to be null and void *ab initio* on the ground that the reclaimed parcels of land are part of the public domain and cannot be disposed of by the PRA to private corporations.

Despite the nullity of the JVA, the Subsidiary is not precluded by the Supreme Court from recovering from the PRA, costs and expenses incurred in implementing the JVA prior to its nullification.

The Subsidiary has spent a considerable amount on the Project which continues to be charged with interest costs. Without prejudice to any other rights and remedies to which the Subsidiary may be entitled to pursuant to the JVA and/or the law, the claims for reimbursements must be submitted to the PRA.

The Parent Company and the Subsidiary pursued the filing of the claims with the PRA for the reimbursements of the total project development cost, project-related receivables and the corresponding interest thereon.

On August 10, 2007, the Parent Company, on behalf of the Subsidiary, filed its claim for reimbursement with the PRA amounting to P10.23 billion for the initial payment of all costs, losses, liabilities and expenses computed as at December 31, 2006. On August 17, 2007, the PRA requested for the details and supporting documents of the claims which the Parent Company provided on September 5, 2007.

On July 15, 2008 the Parent Company requested for an update on the status of the claim and on July 18, 2008, the PRA responded that it is still evaluating the claim with the supporting documents submitted by the Parent Company.

On November 20, 2009, the Parent Company, through a letter sent to the PRA, demanded for the payment of approximately P13.4 billion. This amount represents all costs, losses, liabilities, and expenses incurred by the Subsidiary computed as of September 2009 pursuant to the JVA.

On February 8, 2010, the PRA, through a letter, informed the Subsidiary that based on the books and records of the PRA, it was able to verify a total amount of P1.004 billion of the Subsidiary's claims which are still subject to audit by the Commission on Audit (COA). In this regard, the Subsidiary is directed to furnish PRA with a duly certified details of the said amount including all supporting documents, official receipts and other proof of payments as well as audited financial statements. The Subsidiary provided the requested documents on March 5, 2010. Management intends to cooperate with the PRA in order to process its claims.

On December 13, 2010, the Subsidiary filed a petition with the COA to claim for reimbursement the revised amount of P11.5 billion (from the initial claim of P13.4 billion) and not P1.004 billion as initially verified by the PRA. Considering that the PRA has already validated and acknowledged the Subsidiary's claim for reimbursement amounting to P1.004 billion, the only issue submitted to the COA is whether or not the other claims are likewise rightful items for reimbursement. The Subsidiary and the PRA panel engaged in weekly meetings and discussions from May to October 2011 in order to discuss and validate the Parent Company's claim for reimbursement for project costs. The Subsidiary has submitted its final report on November 8, 2011.

On February 3, 2014, the PRA informed the Subsidiary that it has verified an additional amount for reimbursement bringing the total validated amount to P1.027 billion.

On October 14, 2016, the Subsidiary and the PRA entered into a Compromise Agreement where the PRA shall cede to the Subsidiary parcels of land with value equal to the Subsidiary's validated claim of P1.027 billion. In exchange, the Subsidiary shall waive all other claims which is the subject of the pending petition with the COA and any other claims arising from or in connection with the JVA. The Compromise Agreement shall become effective upon approval by the COA.

On November 22, 2016, the Subsidiary and the PRA filed a Joint Motion for Judgment ("Joint Motion") based on the Compromise Agreement with COA. As at March 28, 2018, no formal response on the Joint Motion has been received by the parties from COA.

b. Status of Operations

For the years 2017, 2016 and 2015, the Parent Company continues to reduce its operational expenses and, through the efforts of its limited personnel and utilizing very restricted resources, the Group was able to consolidate all the records pertaining to the Project from its local and foreign partners.

Due to the cessation of the Project, the Group failed to honor its loan commitments and has incurred significant losses from accumulating interest costs and penalties. Net losses incurred for the years ended December 31, 2017, 2016 and 2015 amounted to P5.9 million, P4.8 million and P273.8 million, respectively. The accumulated deficit as at December 31, 2017 and 2016 amounted to P11.4 billion. The capital deficiency as at December 31, 2017 and 2016 amounted to P1.5 billion.

Despite the nullification of the JVA, management still intends to continue the Group's operations and utilize any reimbursement that it may obtain from the PRA to fund other business and development ventures.

The ability of the Group to continue as going concern entities will depend on the recoverability of the Subsidiary's claims for reimbursement from the PRA and on the success of any business that the Group may undertake. All of these matters indicate the existence of a material uncertainty which casts significant doubt about the ability of the Group to continue as going concern entities.

2. Basis of Preparation

Statement of Compliance

The consolidated financial statements include the accounts of the Parent Company and Central Bay, its 100%-owned subsidiary, and have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations, issued by the Philippine Financial Reporting Standards Council and approved by the Philippine Board of Accountancy.

The consolidated financial statements as at and for the year ended December 31, 2017 were approved and authorized for issuance by the Board of Directors (BOD) on March 28, 2018.

Basis of Measurement

The consolidated financial statements have been prepared using the historical cost basis of accounting.

Basis of Consolidation

A subsidiary is an entity controlled by the Parent Company. In accordance with PFRS 10, *Consolidated Financial Statements,* control exists when an entity 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. The financial statements of the Subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and any unrealized gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The consolidated financial statements are prepared for the same reporting period using uniform accounting policies for like transactions and other events in similar circumstances.

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional currency. All financial information presented in Philippine peso has been rounded off to the nearest thousand Philippine peso, except when otherwise indicated.

Use of Judgments, Estimates and Assumptions

The preparation of consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from such estimates.

Judgments, estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgment and estimates are revised and in any future periods affected.

Judgments

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

Going Concern

The Group has reported a deficit amounting to P11.4 billion as at December 31, 2017 and 2016. The ability of the Group to continue as a going concern will depend on the recoverability of the Subsidiary's claims for reimbursement from the PRA and on the success of any business that the Parent Company and the Subsidiary may undertake. Management assessed that the Subsidiary will be able to recover a sufficient amount of the Subsidiary's claims to allow the Parent Company and the Subsidiary to operate on a going concern basis. Accordingly, these consolidated financial statements are prepared on a going concern basis.

Provisions

The Group, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risks and uncertainties into account. As at December 31, 2017 and 2016, the Group does not have any legal or constructive obligations that require provision.

Contingencies

The Group is currently involved in various legal proceedings. The Group's estimate of the probable costs for the resolution of these claims has been developed in consultation with its legal counsel handling the prosecution and defense of these cases and is based upon an analysis of potential results. As at December 31, 2017 and 2016, the Group did not accrue any possible losses as a result of the legal claims as it has assessed these cases will not have a material adverse effect on its financial position and results of operations.

Estimates and Assumptions
The key estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from these estimates:

Estimating Allowance for Impairment Losses on Receivables
The Group reviews the collectability of its receivables and maintains an allowance for impairment losses on receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Group based on available facts and circumstances that affect the collectability of the accounts.

As at December 31, 2017 and 2016, the Group's allowance for impairment losses on receivables amounted to P128 million (see Note 5). As at December 31, 2017 and 2016, the Parent Company's allowance for impairment losses on receivables from related parties amounted to P0.2 million (see Note 7).

Estimating Allowance for Impairment Losses on Nonfinancial Assets
The Group assesses at each reporting date whether there is an indication that the carrying amount of a nonfinancial asset may be impaired. If such indication exists, the Group makes an estimate of the asset's recoverable amount. At the reporting date, the Group assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to the expected historical or projected future operating results;

- significant changes in the manner of use of the acquired assets or the strategy for overall business; and

- significant negative industry or economic trends.

As discussed in Note 1, the Group has spent a considerable amount on the Project. However, due to the nullity of the JVA and the uncertainty of the claims from the PRA, the Group provided allowance for impairment in value of the project development cost. As at December 31, 2017 and 2016, allowance for impairment losses on project development cost amounted to P6.6 billion (see Note 6) while allowance for impairment losses on non-recoverability of other noncurrent assets amounted to P3.0 million (see Note 7).

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

As at December 31, 2017 and 2016, the total amount of temporary differences and unused tax losses for which deferred tax assets have not been recognized is P6.8 billion (see Note 12).

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently by the Group to all years presented in these consolidated financial statements, except for the changes in accounting policies as explained below.

<u>Adoption of New or Revised Standards, Amendments to Standards and Interpretations</u>
The Group has adopted the following amendments to standards starting January 1, 2017 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Group's consolidated financial statements.

- *Disclosure Initiative (Amendments to PAS 7, Statement of Cash Flows)*. The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12, Income Taxes)*. The amendments clarify that:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

<u>Standards Issued But Not Yet Adopted</u>
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2017. However, the Group has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective January 1, 2018

- *PFRS 15, Revenue from Contracts with Customers* replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

  The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- *PFRS 9, Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

<u>Financial Assets</u>
Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of financial assets and financial liabilities, except for financial instruments measured at fair value through profit or loss (FVPL). Purchases or sales of financial assets are recognized on the settlement date.

Financial assets are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and available-for-sale (AFS) financial assets. The Group determines the classification at initial recognition and where allowed and appropriate, re-evaluates such designation at every reporting date. The Group has not designated any financial assets as financial assets at FVPL, HTM investments or AFS financial assets.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition that are an integral part of the effective interest rate. The amortization is included as interest income in profit or loss. The losses arising from impairment of such loans and receivables are recognized in profit or loss.

The Group's cash in banks, receivables, and security deposits are included in this category (see Notes 4, 5, and 7).

Cash in banks are stated at its face value.

Financial Liabilities

Financial liabilities are classified into two categories: financial liabilities at FVPL and other financial liabilities. The Group determines the classification at initial recognition and where allowed and appropriate, re-evaluates such designation at every reporting date.

The Group has not designated any financial liability at FVPL.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g., accounts payable and accrued expenses, due to related parties).

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

The Group's accounts payable and accrued expenses and due to related parties are included in this category (see Notes 8 and 9).

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derecognition of Financial Assets and Liabilities

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

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

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either has: (a) transferred substantially all the risks and rewards of the asset; or (b) neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

<u>Impairment of Financial Assets</u>
The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss.

If, in subsequent years, the amount of estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

<u>Project Development Cost</u>
Project development cost consists of costs directly and clearly associated with the acquisition, development and construction of the Project, less any impairment in value. It includes project mobilization costs, billings from contractors for project and land development, payments to the PRA, borrowing costs incurred during the construction period, professional and legal fees, documentary stamps, foreign exchange losses and other expenses.

Impairment of Nonfinancial Assets

The carrying amount of nonfinancial assets is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the asset is written down to its recoverable amount. The recoverable amount of the asset is the greater of fair value less costs of disposal and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

Capital Stock

Capital stock is composed of common shares and preferred shares and is classified as equity. Incremental cost directly attributable to the issue of capital stock, if any, is recognized as a deduction from equity, net of any tax effects.

Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the Parent Company's option, and any dividends within equity upon approval by the Parent Company's BOD.

Preferred shares are classified as liability if they are redeemable on a specific date or at the option of the stockholders, or if dividend payments are not discretionary. Dividends thereon are recognized as "interest expense" in the consolidated statements of comprehensive income as accrued.

Additional paid-in capital

When shares are sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Expense Recognition

Expenses are recognized upon receipt of good or utilization of services, or at the date they are incurred.

Expenses are also recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized in profit or loss on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the consolidated statements of financial position as an asset.

Borrowing Costs
Borrowing costs are recognized as expenses when incurred, except to the extent capitalized. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

Income Taxes
Income tax expense is comprised of current and deferred tax and is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity in other comprehensive income.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and the carryforward tax benefit of net operating loss carryover (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off deferred tax assets against deferred tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Related Parties
Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Earnings (Loss) Per Share
Basic earnings (loss) per share is computed by dividing the net income (loss) for the year attributable to equity holders of the Parent Company by the weighted average number of issued and outstanding common shares during the year, with retroactive adjustments for any stock dividends declared.

Diluted earnings (loss) per share is computed by adjusting the net income (loss) for the year attributable to equity holders of the Parent Company and the weighted average number of issued and outstanding common shares during the year, for the effects of all dilutive common shares.

The Group has no potential common shares with dilutive effect.

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

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

Events After the Reporting Date
Any event after the reporting date that provides evidence of conditions that existed at the end of the reporting date (adjusting event) is recognized in the consolidated financial statements. Any event after the reporting date that is not an adjusting event is disclosed in the notes to the consolidated financial statements when material.

4. Financial Risk Management

The Group's activities are exposed to a variety of financial risks. These are credit risk, liquidity risk and interest rate risk. The Group's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The BOD has the overall responsibility for the establishment and oversight of the Group's risk management framework, and for the development and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risk faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Credit Risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk arises principally from cash in banks, receivables, and security deposits. Management and its legal counsel believe that the receivable from the PRA is collectible as the amount is supported by a Supreme Court decision (dated July 9, 2002), which provides for the reimbursement of expenses that directly benefited the PRA.

The aging of the Group's financial assets subject to credit risk is as follows:

2017

	Gross Carrying Amount	**Neither Past Due nor Impaired**	**Past due but not Impaired**	**Overdue and Impaired**
Cash in banks	**P1,129**	**P1,129**	**P -**	**P -**
Receivables	**739,884**	**-**	**611,850**	**128,034**
Receivables from related parties	**196**	**-**	**-**	**196**
Security deposits	**140**	**-**	**-**	**140**
	P741,349	**P1,129**	**P611,850**	**P128,370**

2016

	Gross Carrying Amount	Neither Past Due nor Impaired	Past due but not Impaired	Overdue and Impaired
Cash in banks	P754	P754	P -	P -
Receivables	739,884	-	611,850	128,034
Receivables from related parties	196	-	-	196
Security deposits	140	-	-	140
	P740,974	P754	P611,850	P128,370

High grade financial assets are those assessed as having minimal credit risk, otherwise, they are of standard quality.

As at December 31, 2017 and 2016, the credit quality of the Group's cash in banks is high grade given that the credit risk for cash in banks is considered negligible since the counterparties are reputable entities with high quality external credit rating.

Liquidity Risk
Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to the possibility that adverse changes in the business environment and/or operations would result in substantially higher working capital requirements and the subsequent difficulty in financing additional working capital.

As discussed in Note 1, the ability of the Group to continue as a going concern will depend on the recoverability of the Subsidiary's claims for reimbursement from the PRA and on the success of any business that the Group may undertake. The Group is in default of its loan obligations since October 1998.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding impact of netting agreements:

		As at December 31, 2017				
	Note	**Carrying Amount**	**Contractual Cash Flow**	**6 Months or Less**	**6 - 12 Months**	**Over One Year**
Nonderivative Financial Liabilities						
Accounts payable and accrued expenses*	*8*	**P21,578**	**P21,578**	**P21,578**	**P -**	**P -**
Due to related parties	*9*	**2,104,004**	**2,104,004**	**2,104,004**	**-**	**-**
		P2,125,582	**P2,125,582**	**P2,125,582**	**P -**	**P -**

**Excluding withholding tax payable amounting to P17*

		As at December 31, 2016				
	Note	Carrying Amount	Contractual Cash Flow	6 Months or Less	6 - 12 Months	Over One Year
Nonderivative Financial Liabilities						
Accounts payable and accrued expenses*	*8*	P21,767	P21,767	P21,767	P -	P -
Due to related parties	*9*	2,097,272	2,097,272	2,097,272	-	-
		P2,119,039	P2,119,039	P2,119,039	P -	P -

**Excluding withholding tax payable amounting to P17*

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rate. The Group's exposure to changes in interest rates relates primarily to the Group's due to related parties. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, borrowings issued at variable rates expose the Group to cash flow interest rate risk.

For the year ended December 31, 2017 and 2016, interest expense on amounts due to related parties recognized in the consolidated statements of comprehensive income amounted to P3.3 million and P2.9 million, respectively (see Note 9).

The Group manages its interest cost by using fixed rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charges on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

<u>Fair Values Sensitivity Analysis for Fixed-rate Instruments</u>

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

<u>Fair Values</u>

The carrying amounts of financial assets and liabilities approximate their fair values as at December 31, 2017 and 2016.

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments:

Cash in Banks and Receivables

The carrying amounts of cash in banks and receivables approximate their fair values due to the relatively short-term maturities of these financial assets. Receivables are reported at their net realizable amounts or at total amounts less allowances for estimated uncollectible accounts.

Security Deposits
The carrying amounts of security deposits approximate their fair values since the Group does not anticipate the carrying amount to be significantly different from the actual values that these would eventually be collected. These are reported at their net realizable amounts or at total amounts less allowances for estimated uncollectible accounts.

Accounts Payable and Accrued Expenses and Due to Related Parties
The carrying amounts of accounts payable and accrued expenses and due to related parties approximate their fair values due to the relatively short-term maturities of these financial liabilities.

Capital Management
As discussed in Note 1 to the consolidated financial statements, significant events have occurred which indicate the existence of a material uncertainty which casts significant doubt about the ability of the Group to continue as going concern. The ability of the Group to continue as going concern will depend on the recoverability of the Group's claims for reimbursement from the PRA and on the success of any business that the Group may undertake.

The Group monitors capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. Total debt is equivalent to accounts payable and accrued expenses and due to related parties. Total equity comprises capital stock, additional paid-in capital and deficit.

There were no changes in the Group's approach to capital management during the year.

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

5. Receivables

This account as at December 31, 2017 and 2016 consists of receivables from:

	Note	
PRA		P611,850
MCRP Construction Corporation		114,460
Tenants		7,327
Others		6,247
	4	739,884
Less allowance for impairment losses on MCRP Construction Corporation, tenants and others		128,034
		P611,850

No impairment loss was recognized on the Subsidiary's receivable from the PRA, which arose from claims for reimbursements of reclamation costs and expenses paid by the Subsidiary on behalf of the PRA. Management and its legal counsel believe that the receivable is collectible as the amount is supported by a Supreme Court decision (dated July 9, 2002) which provides for the reimbursement of expenses that directly benefited the PRA (see Note 1).

6. Project Development Cost

As at December 31, 2017 and 2016, this account consists of:

Excess of acquisition cost over net assets of the Subsidiary	P3,592,757
Project development cost:	
Professional and legal fees	1,128,566
Project and land development costs	1,107,434
Capitalized interest and bank charges	472,318
Project mobilization costs	254,736
Input tax	53,949
Documentary stamp tax	3,204
	6,612,964
Less allowance for impairment in value of:	
Project development cost	3,020,207
Excess of acquisition cost over net assets of the Subsidiary	3,592,757
	6,612,964
	P -

The excess of the Parent Company's acquisition cost of the shares of stock of the Subsidiary over the net assets of the Subsidiary pertains to the unbooked appraisal increase relative to the Three Islands, as discussed in Note 1. This appraisal increase was based on an independent appraisers' report dated March 20, 1996. The Hypothetical Development Approach in valuing the property was used in the appraisal.

7. Other Noncurrent Assets

This account consists of:

	Note	**2017**	2016
Prepaid taxes		**P3,703**	P3,429
Receivables from related parties	*4*	**196**	196
Security deposits	*4*	**140**	140
Others		**30**	20
		4,069	3,785
Less allowance for impairment losses on:			
Prepaid taxes		**2,693**	2,693
Receivables from related parties		**196**	196
Security deposits		**140**	140
Others		**20**	20
		P1,020	P736

Prepaid taxes consist of input taxes and tax refund.

8. Accounts Payable and Accrued Expenses

This account consists of:

	Note	**2017**	2016
Accrued expenses	*4*	**P19,639**	P19,828
Payable to a third party	*4*	**1,939**	1,939
Withholding tax payable		**17**	17
		P21,595	P21,784

Accrued expenses represent liabilities to suppliers for various expenses incurred by the Group. The settlement of this account is highly dependent on the collection of claims from the PRA.

Payable to a third party pertains to non-interest bearing advances from a certain company.

9. Related Party Transactions

In the ordinary course of business, the Group has transactions with related parties summarized as follows:

Category	Year	*Ref*	Amount of Transaction	Outstanding Balances Due to Related Parties	Terms and Conditions	
Shareholders						
POPI						
Cash advance	**2017**	*a*	**P -**	**P6,968**	**Due and demandable; interest bearing**	**Unsecured**
	2016	*a*	-	6,968		
Interest expense	**2017**	*a*	**3,317**	**18,460**		
	2016	*a*	2,884	15,143		
Other Shareholders						
Cash advance	**2017**	*a*	**-**	**31,850**	**Due and demandable; interest bearing**	**Unsecured**
	2016	*a*	-	31,850		
Interest expense	**2017**	*a*	**-**	**2,031,173**		
	2016	*a*	-	2,031,173		
Primera Commercio Holding, Inc. (Primera)						
Cash advance	**2017**	*b*	**3,415**	**13,517**	**Due and demandable; non-interest bearing**	**Unsecured**
	2016	*b*	1,822	10,102		
Italian Thai						
Cash advance	**2017**	*c*	**-**	**2,036**	**Due and demandable; non-interest bearing**	**Unsecured**
	2016	*c*	-	2,036		
	2017			**P2,104,004**		
	2016			P2,097,272		

a) Cash advances from POPI and other shareholders bear interest at 15% per annum, compounded annually until fully paid. The payment terms are stipulated in the Repayment Agreement for such advances and were approved by the BOD on March 14, 2003.

At the option of the above shareholders, the advances shall be settled and paid according to any or a combination of the following:

- In cash by the Parent Company;

- In common shares of the Parent Company, through the issuance, at par value, by the Parent Company of new common shares. Under this option, the shareholder must exercise his right to convert the Project-related payable into common shares of the Parent Company when the weighted average market price of the shares within a 30 trading day period is at P0.95 or above, at a price approximate to the par value of the shares; and

- Through assignment by the Parent Company of all its rights, titles and interest in and to any salable portion of the reclaimed land in the Project, as identified by the above shareholders and subject to the BOD's approval.

In 2016, the Parent Company and the other shareholders entered into an agreement wherein the interest due on the advances under the Repayment Agreement will be waived and will no longer accrue starting in 2016 until the advances are fully paid, except for advances from POPI. Accordingly, interest accrued in 2017 pertains to the advances from POPI.

b) The Parent Company obtains cash advances from Primera to support its day-to-day operations. These advances are payable on demand. As at December 31, 2017, Primera has not provided options for the Parent Company's settlement of the advances other than through settlement in cash.

c) The Parent Company obtains non-interest bearing cash advances from Italian Thai to be settled in cash. These advances are due and demandable as at December 31, 2017 and 2016.

d) The Group has no key management personnel compensation in 2017 and 2016.

Amounts owed to related parties are to be settled in cash.

As at December 31, 2017 and 2016, the Group has receivables from related parties amounting to P0.2 million which is fully provided with allowance for impairment losses (see Note 7).

10. Capital Stock

Common Stock

The Parent Company had its only public offering for common stocks in 1991. The outstanding common stock as at December 31, 2017 and 2016 amounted to P6.32 million divided into 6.32 million shares. These shares are registered with the SEC and traded in the PSE.

Preferred Stock

The preferred stock which may be issued in tranches or series, is redeemable at the option of the Parent Company, non-voting, entitled to preferential and cumulative dividends at a rate not exceeding 12% per annum, and shall have such other rights, preferences, restrictions and qualifications consistent with the Parent Company's By-laws and the Articles of Incorporation, as may be fixed by the BOD at the time of their issuance.

As a result of the conversion of payables to equity on November 13, 2012, the Parent Company issued shares in full settlement of payable to stockholders amounting to P647.0 million and loan payable amounting to P3.6 billion. The additional paid-in capital, net of direct transaction costs, amounted to P2.9 billion. Direct transaction costs for the issuance of shares amounted to P9.08 million.

The table below shows the equivalent number of common and preferred shares issued to the stockholders of the Parent Company in relation to the conversion of debt to equity:

	Number of Shares	
Stockholders	Common	Preferred
One Bacolod Express Holdings, Inc.	364,577,424	1,609,359,778
Primera	167,578,190	4,858,590,825
Cosco Land Corporation	56,132,206	-
David Go Securities Corporation	42,924,628	-
POPI	15,666,405	-
	646,878,853	6,467,950,603

In 2005, the BOD also approved the conversion to equity of the Parent Company's payable to POPI and Orion Land, Inc. (a wholly-owned subsidiary of POPI) amounting to P44.5 million and P2.4 million, respectively, as partial payment for their subscriptions. The application for conversion of debt to equity has not been filed with the SEC as at December 31, 2017.

11. General and Administrative Expenses

This account consists of:

	2017	2016	2015
Professional fees	**P1,914**	P1,427	P1,572
Listing fee and filing fee	**355**	290	305
Communications	**93**	104	107
Taxes and licenses	**35**	26	29
Others	**171**	70	162
	P2,568	P1,917	P2,175

"Others" includes various penalties charged by the SEC and various expenses incurred relative to PRA claims and equity restructuring.

12. Income Taxes

The reconciliation of income tax benefit computed at the statutory income tax rate to income tax expense in profit or loss follows:

	2017	2016	2015
Loss before income tax	**(P5,884)**	(P4,799)	(P273,769)
Income tax benefit at statutory rate at 30%	**(P1,765)**	(P1,440)	(P82,131)
Reductions in (additions to) income tax benefit resulting from:			
Movement in unrecognized deferred tax assets	**770**	573	586
Nondeductible expenses	**995**	867	81,545
Income tax expense	**P -**	P -	P -

Deferred tax assets on the following deductible temporary differences and unused NOLCO have not been recognized as the Group may not have sufficient taxable income in the future to realize the benefits of the related deferred tax assets.

	2017	2016
Allowance for impairment losses on project development cost	**P6,612,964**	P6,612,964
Allowance for impairment losses on receivables	**128,034**	128,034
NOLCO	**6,440**	6,317
Allowance for non-recoverability of other noncurrent assets	**3,049**	3,049
	P6,750,487	P6,750,364

As at December 31, 2017, the composition of NOLCO that can be claimed as deduction from future taxable income is as follows:

Year Incurred	Amount Incurred	Expired During the Year	Remaining Balance	Year of Expiration
2014	P2,445	(P2,445)	P -	2017
2015	1,954	-	1,954	2018
2016	1,918	-	1,918	2019
2017	2,568	-	2,568	2020
	P8,885	(P2,445)	P6,440	

<u>Tax Reform for Acceleration and Inclusion Act</u>

Republic Act 10963, *Tax Reform for Acceleration and Inclusion Act* (TRAIN) was signed into law on December 19, 2017 and took effect on January 1, 2018. While most of the changes will affect individuals, the TRAIN Law also introduced changes to income tax, VAT and excise taxes that may have an impact on the consolidated financial statements beginning taxable year 2018.

13. Basic and Diluted Loss Per Share

The following table represents information necessary to calculate loss per share:

	2017	2016	2015
Net loss (a)	**(P5,884)**	(P4,799)	(P273,769)
Weighted average number of shares (b)	**6,323,286**	6,323,286	6,323,286
Basic and diluted loss per share (a/b)	**(P0.001)**	(P0.001)	(P0.043)

As at December 31, 2017 and 2016, there are no dilutive debt or equity instruments.

14. Other Matter

The Group is contingently liable for lawsuits or claims filed by third parties and a creditor bank which are either pending decision by the courts or are under negotiation. The outcome of these lawsuits/claims is not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements.

COVER SHEET

1 6 5 5 3 9

S.E.C. Registration Number

C Y B E R   B A Y   C O R P O R A T I O N

(Company's Full Name)

Suite 2402 Discovery Centre

ADB Avenue, Ortigas Center

Pasig City

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

Atty. Jordan G. Zafra

Contact Person

633-9757

Company Telephone Number

1 2 | 3 1

Month *Day*

I-ACGR

FORM TYPE

1 2 | 2 1

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

C G F D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes.

SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended **31 December 2017**

2. SEC Identification Number **165539**

3. BIR Tax Identification No. **000-157-237-000**

4. Exact name of issuer as specified in its charter **CYBER BAY CORPORATION**

5. **METRO MANILA, PHILIPPINES**
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. **Suite 2402 Discovery Center, 25 ADB Avenue, Ortigas Center, Pasig City** **1605**
   Address of principal office — Postal Code

8. **(632)-633-9757, 636-6080**
   Issuer's telephone number, including area code

9. **N/A**
   Former name, former address, and former fiscal year, if changed since last report.

Pursuant to the requirement of the Securities and Exchange Commission, this Integrated Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Pasig on 28 MAY 2018.

SIGNATURES

OSCAR L. PARAS, JR.
Chairman

RAUL G. GERODIAS
President

LUIS A. VERA CRUZ
Independent Director

RHOGEL S. GANDINGCO
Independent Director

CHERYL S. SALDAÑA-DE LEON
Corporate Secretary

LIMUEL P. LEAL
Compliance Officer

SUBSCRIBED AND SWORN to before me this 28 MAY 2018, affiant(s) exhibiting to me their competent evidence of identity as follows:

Name	Competent Evidence of Identity
Oscar L. Paras, Jr.	TIN: 168-499-479
Raul G. Gerodias	TIN: 129-434-349
Luis A. Vera Cruz	TIN: 126-673-127
Rhogel S. Gandingco	TIN: 126-812-085
Cheryl S. Saldaña-de Leon	TIN: 202-946-957
Limuel P. Leal	TIN: 416-070-614

Doc No. 171
Page No. 36
Book No. III
Series of 2018.

JENNY MARIE T. DE LEON
Notary Public for the Cities of Pasig, San Juan
And Municipality of Pateros
Commission until 31 December 2018
2404 Discovery Center 25 ADB Ave., Ortigas Center Pasig City
APPT. No. 104 (2017-2018) – Roll. 66157
PTR No. 3867887; 01-11-2018; Pasig City
IBP No. 021552; 01-10-2018; RSM

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT			
	COMPLIANT/ NON-COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
The Board's Governance Responsibilities			
Principle 1: The company should be headed by a competent, working board to foster the long- term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders.			
Recommendation 1.1			
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	Compliant	Qualifications of directors are provided in Article 4 of the Manual Corporate Governance of the Company (MCG). MCG may be accessed through PSE Edge: http://edge.pse.com.ph/openDiscViewer.do?edge_no=0dc6c0ae5a175d013318251c9257320d. Qualifications, educational background and relevant work experiences of the directors are disclosed in the 2017 SEC 17-A (2017 Annual Report) of the Company. The 2017 Annual Report may be accessed through PSE Edge http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	
2. Board has an appropriate mix of competence and expertise.	Compliant		
3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.	Compliant		
Recommendation 1.2			
1. Board is composed of a majority of non- executive directors.	Compliant	Of the nine members of the board of directors, only four are executive directors, namely: Oscar L. Paras, Jr. (Chairman), Raul G. Gerodias (President), Cheryl S. Saldaña-de Leon (Corporate Secretary), and Limuel P. Leal (Treasurer/Compliance Officer). This information is available in the Company's 2017 SEC 17-A (2017 Annual Report). The 2017 Annual Report may be accessed through PSE Edge http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	

Recommendation 1.3			
1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.	Compliant	Articles 3, 4 and 5 of the MCG provide for orientation and annual continuing training of directors. The Company has yet to formalize its Board Charter. The MCG may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=0dc6c0ae5a175d013318251c9257320d.	
2. Company has an orientation program for first time directors.	Compliant	Article 3, 4 and 5 of the MCG provide for an orientation program of at least eight hours and a continuing program of at least four hours. The MCG may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=0dc6c0ae5a175d013318251c9257320d.	
3. Company has relevant annual continuing training for all directors.	Compliant		
Recommendation 1.4			
1. Board has a policy on board diversity.	Compliant	Article 3.1 of the MCG provides for board diversity as much as practicable. The MCG may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=0dc6c0ae5a175d013318251c9257320d. Of the nine members of the board of directors, eight members are male while one is female.	
Optional: Recommendation 1.4			
1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.			
Recommendation 1.5			
1. Board is assisted by a Corporate Secretary.	Compliant		Given that the Company is currently not operating,

2. Corporate Secretary is a separate individual from the Compliance Officer.	Non-compliant		the functions of the Corporate Secretary and the Compliance Officer can be fulfilled by one person who is a professional lawyer and has had extensive work experience. Since the Company is currently non-operating, its organization is structured to operate in a relatively lean manner to promote efficiency. The Board has not determined the need to appoint different individuals to occupy the positions of Corporate Secretary and Compliance Officer. Nonetheless, the MCG enumerates, and the Corporate Secretary/ Compliance Officer is fully apprised of, the duties and functions of both positions. The Corporate Secretary's qualifications are disclosed in the Company's latest Annual Report which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.
3. Corporate Secretary is not a member of the Board of Directors.	Non-compliant		
4. Corporate Secretary attends training/s on corporate governance.	Compliant	The Corporate Secretary is a professional lawyer and has had extensive work experience with various listed companies, corporate organizations, and multi-national institutions. She has attended the Mandatory Continuing Legal Education (MCLE) which required training on corporate governance.	
Optional: Recommendation 1.5			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.	Compliant	Provide proof that corporate secretary distributed board meeting materials at least five business days before scheduled meeting	The Corporate Secretary, per the By-laws of the Company, sends notices, together with other board materials, to the directors at least 14 days prior to a regular meeting or 20 days prior to a special meeting. If these periods cannot be observed, the Corporate Secretary delivers such materials personally not later than five days prior to the meeting.
Recommendation 1.6			
1. Board is assisted by a Compliance Officer.	Compliant		The Given that the Company is currently not

2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.			operating, the functions of the Corporate Secretary and the Compliance Officer can be fulfilled by one person who is a professional lawyer and has had extensive work experience. Since the Company is currently non-operating, its organization is structured to operate in a relatively lean manner to promote efficiency. The Board has not determined the need to appoint different individuals to occupy the positions of Corporate Secretary and Compliance Officer. Nonetheless, the MCG enumerates, and the Corporate Secretary/ Compliance Officer is fully apprised of, the duties and functions of both positions. The Corporate Secretary's qualifications are disclosed in the Company's latest Annual Report which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.
3. Compliance Officer is not a member of the board.			
4. Compliance Officer attends training/s on corporate governance.		The Compliance Officer is a professional lawyer and has an extensive work experience with various listed companies, corporate organizations, and multi-national institutions. She has attended the Mandatory Continuing Legal Education (MCLE) which required training on corporate governance.	
Principle 2: The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.			
Recommendation 2.1			
1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	Compliant	The directors are continuously and actively looking for other projects and businesses that the Company may venture into. The directors have suspended all project-related operations given the uncertainty of government approval of the project.	

		The directors continue to minimize general and administrative expenses. The appropriate disclosures of the foregoing decisions are available in the latest Annual Report which may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	
Recommendation 2.2			
1. Board oversees the development, review and approval of the company's business objectives and strategy.	Compliant	Due to the uncertainty of Company's reimbursement claim from the government, the implementation of the Company's business objectives and strategies is suspended. Nonetheless, the Company is open to other business opportunities but is wary of making significant investments and incurring expenses. The appropriate disclosures of the foregoing decisions are available in the latest Annual Report which may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	
2. Board oversees and monitors the implementation of the company's business objectives and strategy.			
Supplement to Recommendation 2.2			
1. Board has a clearly defined and updated vision, mission and core values.	Non-compliant		The Board believes that this may not be applicable to the Company due to its non-operational status. Once the Company revives its operations or when there are significant developments toward the revival of its operations, it shall review and update its vision and mission. The appropriate disclosures of the foregoing decisions are available in the latest Annual Report which may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.
2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.			

Recommendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	Compliant	Atty. Oscar L. Paras, Jr. is the Chairperson of the Board. His educational background and work experiences are discussed in the 2017 Annual Report. The 2017 Annual Report may be accessed through PSE Edge http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	
Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	Non-compliant		Due to the non-operational status of the Company, there are no employees or key officers aside from the Board of Directors. However, the succession planning is provided for under Article 5 of the Company's MCG which may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.
2. Board adopts a policy on the retirement for directors and key officers.	Non-compliant		Since the Company is not operating and there are no key officers other than the Board of directors, who do not earn any sort of remuneration, there is currently no policy on the retirement of directors.
Recommendation 2.5			
1. Board aligns the remuneration of key officers and board members with long- term interests of the company.	Non-Compliant		Due to the non-operational status of the Company, the directors do not currently receive remuneration. The appropriate disclosures of the foregoing decisions are available in the latest Annual Report which may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.
2. Board adopts a policy specifying the relationship between remuneration and performance.			
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.			
Optional: Recommendation 2.5			

1. Board approves the remuneration of senior executives.			
2. Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest, such as claw back provision and deferred bonuses.			
Recommendation 2.6			
1. Board has a formal and transparent board nomination and election policy.	Compliant	Policies on nomination and election of directors are provided in Article 4 of the MCG. In addition, the Company has its own Nomination and Remuneration Committee. The right to give recommendations to the NRC is not an exclusive right to majority shareholders. Per Article 4.3.a of the MCG, *"…all recommendations shall be signed by the nominating stockholders together with the acceptance and conformity of the would-be nominees."* The cited provision does not distinguish between majority and minority shareholders. The MCG may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	Compliant		The policy is included in Article 4.3 of the MCG
3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.	Compliant		Minority stockholders may submit recommendations for directors, containing the acceptance and conformity of the would-be nominees, to the CG Committee
4. Board nomination and election policy includes how the board shortlists candidates.			The CG Committee prescreens the qualifications of all nominees. The Committee's final list of candidates, together with their qualifications, and the name of their nominator, is disclosed in the 20-IS which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=6ceecc8076712b303318251c9257320d#sthash.9RigT6Wb.dpbs*.
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	Compliant		

6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	Compliant		
Optional: Recommendation to 2.6			
1. Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors.			
Recommendation 2.7			
1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.	Compliant	All related-party Transactions must be brought to the attention of the Board of Directors. The Board will determine whether the terms of the related-party Transaction are fair to the Company and on terms at least as favorable as would apply if the other party was not or did not have an affiliation with a director, executive officer of the Company; whether there are demonstrable business reasons for the Company to enter into the related-party transaction; whether the related-party transaction would impair the independence of a director; and whether the related-party transaction would present an improper conflict of interests for any director, executive officer of the Company, taking into account the size of the transaction, the overall financial position of the director, executive officer, the direct or indirect nature of the interest of the director, executive officer in the transaction, the ongoing nature of any proposed relationship, and any other factors the Board deems relevant. Any member of the Board who has an interest in the transaction under discussion will abstain from voting on the approval of the related-party Transaction. The MCG may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?e*	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	Compliant		
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.	Compliant		

		dge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	
Supplement to Recommendations 2.7			
1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered *de minimis* or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.	Non-Compliant		Due to the non-operating status of the Company, its related party transactions are limited to working capital advances from principal stockholders which are fully disclosed in its financial statements. The Company will establish these thresholds and voting system once it revives its operations.
2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.			
Recommendation 2.8			
1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	Compliant	Per the MCG, this responsibility is delegated to the CG Committee. The MCG may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	
2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	Compliant	Per the MCG, this responsibility is delegated to the CG Committee. The MCG may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	
Recommendation 2.9			

1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.	Compliant	This is provided for under Article 8 of the MCG. The MCG may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.			
Recommendation 2.10			
1. Board oversees that an appropriate internal control system is in place.	Compliant	This is provided for under Article 14 of the MCG. The MCG may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	Compliant		
3. Board approves the Internal Audit Charter.	Non-Compliant		The directors have reviewed the effectiveness of the internal control system and consider them effective and adequate for purposes of the Company. The Board reviews the effectiveness of the internal control system at least on a yearly basis.
Recommendation 2.11			
1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.	Compliant	Assessment and monitoring are conducted initially by the Company's officers. These are then discussed with Management and the Board if necessary. To reduce credit risks, the Company concentrates its main cash activities with a bank that has good financial ratings. Also the utilization of credit limits with the bank is regularly monitored. To manage liquidity risk, the Company maintains sufficient liquid assets to meet its maturing obligations and to meet current operating requirements.	
2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.	Compliant		

		Company officers regularly consult with external counsels and other advisors to manage and control perceived legal risks. Directors also have direct access to external counsel, so they can prepare and get appropriate advice before corporate actions are taken. This is provided for under Article 6 of the MCG. The MCG may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
Recommendation 2.12			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.	Non-Complaint		Given the limited functions of the Board due to the non-operational status of the Company, the directors are sufficiently guided by the MCG. The Company intends to formalize a Board Charter when the Board functions Company resumes operations
2. Board Charter serves as a guide to the directors in the performance of their functions.			
3. Board Charter is publicly available and posted on the company's website.			
Additional Recommendation to Principle 2			
1. Board has a clear insider trading policy.	Non-Complaint		Although there is no separate insider trading policy, this is discussed under Article 5 of the MCG. The MCG may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.
Optional: Principle 2			

1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm's length basis and at market rates.			
2. Company discloses the types of decision requiring board of directors' approval.			
Principle 3: Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.			
Recommendation 3.1			
1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	Compliant	The Article 6 of the MCG provides for Committees on CG and Audit. The MCG also provides for mechanisms in the formation of additional committees should the need arise. The MCG may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
Recommendation 3.2			
1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.	Compliant	The Audit and Risk (AR) Committee's functions are enumerated in Article 6 of the MCG. In addition, the AR Committee is tasked to: Monitor, oversee, and evaluate the duties and responsibilities of management, the internal auditor and the external auditor as those duties and responsibilities relate to the organization's processes for controlling its operations; and Determine all major issues reported by internal auditor, external auditor and other outside advisors have been satisfactorily resolved. The MCG may be accessed through	

		http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	
2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.	Non-Compliant		The AR Committee is chaired by Atty. Luis A. Vera Cruz, Jr., independent director, and Atty. Raul G. Gerodias, executive director, and Atty. Jose Martin A. Loon, non-executive director, act as members. Since the Company is non-operational, the Board elected Atty. Gerodias as a member of the audit committee due to his business expertise in assessing risks and exposures.
3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.	Compliant	The qualifications of the members of the AR Committee are disclosed in the Company's latest Annual Report which may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	
4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	Compliant	The qualifications of the members of the AR Committee are disclosed in the Company's latest Annual Report which may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	
Supplement to Recommendation 3.2			
1. Audit Committee approves all non-audit services conducted by the external auditor.	Non-compliant	Provide proof that the Audit Committee approved all non-audit services conducted by the external auditor.	Apart from the audit of the financial statements, external auditors do not perform other services for the Company.

2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	Non-compliant	Provide proof that the Audit Committee conducted regular meetings and dialogues with the external audit team without anyone from management present.	Since the Company is not operating, the President attends audit committees to lend his business expertise in assessing risks and exposures.
Optional: Recommendation 3.2			
1. Audit Committee meet at least four times during the year.			
2. Audit Committee approves the appointment and removal of the internal auditor.			
Recommendation 3.3			
1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.	Compliant	This is discussed under Article 6.2 of the MCG. The MCG may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	Compliant	The members of the CG committee include both independent directors, with Atty. Vera Cruz as chair, and non-executive director Jose Martin Loon as member. This is disclosed in the Company's Annual Report which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	

3. Chairman of the Corporate Governance Committee is an independent director.	Compliant	This is disclosed in the Company's Annual Report which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
Optional: Recommendation 3.3.			
1. Corporate Governance Committee meet at least twice during the year.			
Recommendation 3.4			
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	Non-Compliant		Due to the non-operational status of the Company, the functions of a BROC is performed by the audit committee, pursuant to the Company's MCG. The MCG may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	Compliant	The composition of the AR Committee is discussed above. This is disclosed in the Company's Annual Report which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	Compliant	The Chairman of the AR Committee is Atty. Vera Cruz, while the Chairman of the Board is Atty. Paras. This is disclosed in the Company's Annual Report which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	

4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	Compliant	Atty. Gerodias, through his business experience, is knowledgeable on risk and risk management. His qualifications are disclosed in the 20-IS and Annual Report. The 20-IS may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=6ceecc8076712b303318251c9257320d#sthash.9RigT6Wb.dpbs* and the Company's Annual Report which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
Recommendation 3.5			
1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the Company.	Compliant	These functions are performed by the AR Committee, further to the Company's MCG. The MCG may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.	Non-Compliant		The composition of the AR Committee is discussed above. The MCG may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.
Recommendation 3.6			
1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	Non-Compliant		Due to the non-operational status of the Company, the Committees are sufficiently and properly guided by the provisions of the MCG on their functions, duties, and performance evaluations. The MCG may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.
2. Committee Charters provide standards for evaluating the performance of the Committees.			

3. Committee Charters were fully disclosed on the company's website.			
Principle 4: To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.			
Recommendation 4.1			
1. The Directors attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.	Compliant	This is discussed under the ACGR report for 2016 which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=bdff4a1c31ff06733318251c9257320d#sthash.nHh4JdiE.dpbs.*	
2. The directors review meeting materials for all Board and Committee meetings.	Compliant	All Minutes of the Meeting of the Board are available at the office of the Corporate Secretary during business hours.	
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	Compliant	All Minutes of the Meeting of the Board are available at the office of the Corporate Secretary during business hours.	
Recommendation 4.2			

1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long- term strategy of the company.	Compliant	Prior to election, directors are required to submit their current affiliations. To the best of the knowledge of the CG Committee, none of the non-executive directors concurrently serve in more than five publicly-listed companies. This information has been disclosed by the Independent Directors in certifications submitted with the 20-IS which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=6ceecc8076712b303318251c9257320d#sthash.9RigT6Wb.dpbs*.	
Recommendation 4.3			
1. The directors notify the company's board before accepting a directorship in another company.	Compliant		To the best of the knowledge of the Company, a situation like this has not yet occurred.
Optional: Principle 4			
1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.			
2. Company schedules board of directors' meetings before the start of the financial year.			
4. Board of directors meet at least six times during the year.			
5. Company requires as minimum quorum of at least 2/3 for board decisions.			
Principle 5: The board should endeavor to exercise an objective and independent judgment on all corporate affairs			
Recommendation 5.1			
1. The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher.	Non-compliant		Out of the nine board seats, two are occupied by independent directors as specified by the Securities and Regulations Code and the Company's by-laws.

Recommendation 5.2			
1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	Compliant	This information has been disclosed by the Independent Directors in certifications submitted with the 20-IS which may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=6ceecc8076712b303318251c9257320d#sthash.9RigT6Wb.dpbs.	
Supplement to Recommendation 5.2			
1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	Compliant	This is disclosed in the Company's Annual Report which may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	
Recommendation 5.3			
1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).	Compliant	The independent directors that have been affiliated with the Company have served only for a maximum period of five years. This is disclosed in the Company's Annual Report which may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	
2. The company bars an independent director from serving in such capacity after the term limit of nine years.	Compliant	This is discussed under Article 7 of the MCG which may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	
3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.	Compliant	This is discussed under Article 7 of the MCG which may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	This situation has not occurred as the Company took efforts in replacing its independent directors that are to breach the term limits provided by the SEC.
Recommendation 5.4			

1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	Compliant	The Chairman of the Board is Atty. Paras while the President is Atty. Gerodias.	
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	Compliant	The functions of the Chairman and President are provided by the by-laws and the MCG. The relationship between the Chairman and the President will involve verifications on the Company's vision, mission, and overall strategies once it resumes operations. The MCG may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
Recommendation 5.5			
1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.	Compliant	Atty. Vera Cruz is the lead independent director, being the Chair of both AR and CG committees.	
Recommendation 5.6			
1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.	Compliant	Since the Company is non-operational, there are no material transactions.	
Recommendation 5.7			
1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.	Non-Compliant		Due to the non-operational status of the Company, the Board believes that the NEDs do not need to conduct separate meetings other than those of the stockholders or board of directors.
2. The meetings are chaired by the lead independent director.			
Optional: Principle 5			

1. None of the directors is a former CEO of the company in the past 2 years.			
Principle 6: The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.			
Recommendation 6.1			
1. Board conducts an annual self-assessment of its performance as a whole.	Non-Compliant		Pursuant to the MCG, self-assessments are conducted at least once every year. However, the Board has not determined the need to validate self-assessments in view of the Company's non-operational status.
2. The Chairman conducts a self-assessment of his performance.			
3. The individual members conduct a self- assessment of their performance.			
4. Each committee conducts a self- assessment of its performance.			
5. Every three years, the assessments are supported by an external facilitator.	Non-Compliant		Pursuant to the MCG, self-assessments are conducted at least once every year. However, the Board has not determined the need to validate self-assessments in view of the Company's non-operational status.
Recommendation 6.2			
1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.	Compliant	The directors are assessed against their duties and functions per the MCG. Excessive or unnecessary costs and other administrative impediments are removed so stockholders may provide feedback on directors' performance. Article 5 of the MCG discussed the performance of the Board. This may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	
2. The system allows for a feedback mechanism from the shareholders.	Compliant		
Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.			

Recommendation 7.1			
1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	Non-compliant		Since the Company is not operating, this is sufficiently addressed by the MCG. Article 5 of the MCG discussed the roles and responsibilities of the Board. This may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.
2. The Code is properly disseminated to the Board, senior management and employees.			
3. The Code is disclosed and made available to the public through the company website.			
Supplement to Recommendation 7.1			
1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.	Non-compliant		Since the Company is not operating, this is sufficiently addressed by the MCG. Article 9 of the MCG discussed Board Ethics. This may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.
Recommendation 7.2			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	Non-compliant		Since this is applicable to small group of individuals only, the Board itself implements and monitors compliance.
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.			
Disclosure and Transparency			
Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.			
Recommendation 8.1			

1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.	Compliant	Article 10 of the MCG discussed the role of the Compliance Officer. This may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
Supplement to Recommendations 8.1			
1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty- five (45) days from the end of the reporting period.	Non-Compliant		The reports were submitted within the period required by applicable laws and regulations. The following reports were disclosure through PSE Edge: 1. 2017 SEC 17-Q, 1st Quarter: 15 May 2017 (45 days) 2. 2017 SEC 17-Q, 2nd Quarter: 14 August 2017 (45 days) 3. 2017 SEC 17-Q, 3rd Quarter: 16 November 2017 (45 days) 4. 2017 SEC 17-A, 2017: 16 April 2018 (105 days)
2. Company discloses in its annual report the principal risks associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.	Compliant	This is disclosed in the Company's Annual Report which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
Recommendation 8.2			
1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within three business days.	Compliant	Policy on disclosure/reporting of dealings in the Company's shares is provided in Articles 5 and 10 of MCG. In addition, the Company complies with the PSE and SEC rules on disclosure. This may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three business days.			

Supplement to Recommendation 8.2			
1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).	Compliant	Information on the shareholdings of directors and management and transactions with respect to shares of the Company are disclosed in the Annual Report of the Company which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
Recommendation 8.3			
1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	Compliant	Directors' academic qualifications, share ownership in the company, membership in other boards, other executive positions, professional experiences, expertise and relevant trainings attended are provided Annual Report of the Company which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.		Key officers' academic qualifications, share ownership in the company, membership in other boards, other executive positions, professional experiences, expertise and relevant trainings attended are provided in the Annual Report of the Company which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
Recommendation 8.4			
1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.	Compliant	Policies and procedures for setting Board remuneration are provided in Article 6 of the MCG. This may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec*	Directors currently do not earn remuneration given the negative financial position of the Company.

2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.		2b#sthash.hcOTH9dg.dpbs.	
3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.		Directors currently do not earn remuneration given the negative financial position of the Company.	
Recommendation 8.5			
1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.	Compliant	RPT policies are included in the MCG. Currently, there are no unusual RPT since these consist only of Shareholder advances for working capital. This may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
2. Company discloses material or significant RPTs reviewed and approved during the year.	Compliant	Currently, there are no material RPT since these consist only of Shareholder advances for working capital. This is disclosed in the Company's Annual Report which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	

Supplement to Recommendation 8.5			
1. Company requires directors to disclose their interests in transactions or any other conflict of interests.	Compliant	RPT policies are included in the MCG. Currently, there are no unusual RPT since these consist only of Shareholder advances for working capital. This may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*. Proper disclosures are made in the Company's Annual Report which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
Optional : Recommendation 8.5			
1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length.			
Recommendation 8.6			
1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.	Compliant	Disclosure of material information dealings are made through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders *(Article 10, MCG).* This may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	

2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	Non-compliant		Since the Company has no operations, it has no transactions involving the acquisition or disposal of assets.
Supplement to Recommendation 8.6			
1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	Compliant	The details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company are disclosed in the 2017 Annual Report which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
Recommendation 8.7			
1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	Compliant	The MCG was filed with the SEC on 30 May 2017 and uploaded to the PSE on 02 June 2017. This may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
2. Company's MCG is submitted to the SEC and PSE.	Compliant		
3. Company's MCG is posted on its company website.	Non-Compliant		The Company currently does not have a website.
Supplement to Recommendation 8.7			
1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.	Compliant	The MCG was filed with the SEC on 30 May 2017 and uploaded to the PSE on 02 June 2017. This may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	

Optional: Principle 8			
1. Does the company's Annual Report disclose the following information:	Complaint	The latest Annual Report of the Company may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	
a. Corporate Objectives			
b. Financial performance indicators			
c. Non-financial performance indicators			
d. Dividend Policy			
e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors			
f. Attendance details of each director in all directors meetings held during the year			
g. Total remuneration of each member of the board of directors			
2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.	Complaint	The latest Annual Report of the Company may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	
3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.			
4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.			
5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic).			

Principle 9: The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.			
Recommendation 9.1			
1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.	Compliant	The AR Committee approves actions relative to the external auditors pursuant to guidelines contained in Article 6 of the MCG. This may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.	Compliant	Indicate the percentage of shareholders that ratified the appointment, reappointment, removal and fees of the external auditor.	71.27%
3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	Compliant	Provide information on or link/reference to a document containing the company's reason for removal or change of external auditor.	The Company has not removed an external auditor in the past. However, elections or re-appointments of external auditors have been appropriately disclosed.
Supplement to Recommendation 9.1			
1. Company has a policy of rotating the lead audit partner every five years.	Compliant	This is discussed under Article 11 of the MCG. This may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
Recommendation 9.2			
1. Audit Committee Charter includes the Audit Committee's responsibility on: i. assessing the integrity and independence of external auditors; ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.	Non-Compliant		Due to the non-operational status of the Company, the Board believes the AR committee is sufficiently guided by the MCG, which provides for its responsibility in reviewing and monitoring the external auditor's work. This is discussed under Article 6.1 of the MCG. This may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.

2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.			
Supplement to Recommendations 9.2			
1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	Compliant	This is discussed under Articles 6.1 and 11 of the MCG. This may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
2. Audit Committee ensures that the external auditor has adequate quality control procedures.	Compliant	This is discussed under Articles 6.1 and 11 of the MCG. This may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*	
Recommendation 9.3			
1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.	Compliant	Disclose the nature of non-audit services performed by the external auditor, if any.	The Company has not engaged the services of external auditors to perform non-audit services.
2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.	Non-Compliant	Provide link or reference to guidelines or policies on non-audit services	Since the Company does not engage the services of external auditors for non-audit services, the Board believes policies on non-audit services is not necessary.
Supplement to Recommendation 9.3			
1. Fees paid for non-audit services do not outweigh the fees paid for audit services.	Compliant	Provide information on audit and non-audit fees paid.	The Company has not engaged the services of external auditors to perform non-audit services.
Additional Recommendation to Principle 9			

1. Company's external auditor is duly accredited by the SEC under Group A category.	Compliant	R.G. MANABAT & CO. Mr. Darwin P. Virocel Partner CPA License No. 0094495 SEC Accreditation No. 1386-AR, Group A, valid until June 14, 2020	
2. Company's external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC's Office of the General Accountant (OGA).			
Principle 10: The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.			
Recommendation 10.1			
1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.	Compliant	These policies are contained in Article 12 of the MCG which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	Non-Compliant	Provide link to Sustainability Report, if any. Disclose the standards used.	Due to the non-operational status of the Company, it does not have a framework in reporting sustainability and non-financial issues. It will study and adopt such upon the resumption of its operations.

Principle 11: The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.			
Recommendation 11.1			
1. Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.	Non-Compliant		Due to the non-operational status of the Company, all disclosures to the PSE and SEC are coursed through the Compliance Officer.
Supplemental to Principle 11			
1. Company has a website disclosing up-to- date information on the following:	Non-Compliant		Due to the non-operational status of the Company, all important information and disclosures may be accessed through the PSE Edge *http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=67*.
a. Financial statements/reports (latest quarterly)			
b. Materials provided in briefings to analysts and media			
c. Downloadable annual report			
d. Notice of ASM and/or SSM			
e. Minutes of ASM and/or SSM			
f. Company's Articles of Incorporation and By-Laws			
Additional Recommendation to Principle 11			
1. Company complies with SEC-prescribed website template.	Non-Compliant		Due to the non-operational status of the Company, all important information and disclosures may be accessed through the PSE Edge *http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=67*.

Internal Control System and Risk Management Framework			
Principle 12: To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.			
Recommendation 12.1			
1. Company has an adequate and effective internal control system in the conduct of its business.	Compliant	These policies are contained in Article 14 of the MCG which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.	Compliant	These policies are contained in Article 14 of the MCG which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
Supplement to Recommendations 12.1			

1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.	Non-Complaint		Due to the non-operational status of the Company, it does not have a formal comprehensive enterprise-wide compliance program. It will study and adopt such upon the resumption of its operations.
Optional: Recommendation 12.1			
1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board.			
Recommendation 12.2			
1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.	Compliant	Outsourced. GSE Management Services, Inc.	
Recommendation 12.3			
1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.	Non-Compliant	Identify the company's Chief Audit Executive (CAE) and provide information on or reference to a document containing his/her responsibilities.	Due to the non-operational status of the Company, the Board has not appointed a CAE. Nonetheless, the functions of a CAE are being performed by the AR Committee.
2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.			

3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	Compliant	Mr. Limuel P. Leal, the Treasurer of the Company.	
Recommendation 12.4			
1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	Compliant	The Company's risk management framework is contained in Article 14 of the MCG which may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	
Supplement to Recommendation 12.4			
1. Company seeks external technical support in risk management when such competence is not available internally.		Identify source of external technical support, if any.	
Recommendation 12.5			
1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	Non-Compliant	Identify the company's Chief Risk Officer (CRO) and provide information on or reference to a document containing his/her responsibilities and qualifications/background.	The Company currently does not have a CRO given its status as a non-operational Company. Nonetheless, the functions of the CRO are performed by the AR Committee.
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.			
Additional Recommendation to Principle 12			

1. Company's Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.			
Cultivating a Synergic Relationship with Shareholders			
Principle 13: The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.			
Recommendation 13.1			
1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	Compliant	This is discussed in Article 15 of the MCG which may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	
2. Board ensures that basic shareholder rights are disclosed on the company's website.	Non-Compliant		The Company currently does not have a website but has disclosed its MCG through the PSE and SEC.
Supplement to Recommendation 13.1			
1. Company's common share has one vote for one share.	Compliant	This is discussed in Article 15 of the MCG which may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	
2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	Compliant	This is discussed in Article 15 of the MCG which may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	
3. Board has an effective, secure, and efficient voting system.	Compliant	This is discussed in Article 15 of the MCG which may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	
4. Board has an effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.	Non-Compliant		

5. Board allows shareholders to call a special shareholders' meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.	Non-Compliant		Although there is no formal mechanism in place, all stockholders may write or call the Compliance Office for any queries.
6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.	Non-Compliant		
7. Company has a transparent and specific dividend policy.	Non-Compliant		The Board will consider adopting a dividend policy when it is already operational and has recovered from its negative financial position.
Optional: Recommendation 13.1			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.			
Recommendation 13.2			

1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.	Compliant	The Notice and Agenda of the Annual Meeting in 2017 was disclosed in the 20-IS via the PSE on 24 October 2017, 40 business days prior to the Meeting. The 20-IS which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=6ceecc8076712b303318251c9257320d#sthash.9RigT6Wb.dpbs*.	
Supplemental to Recommendation 13.2			
1. Company's Notice of Annual Stockholders' Meeting contains the following information:	Compliant	The 20-IS which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=6ceecc8076712b303318251c9257320d#sthash.9RigT6Wb.dpbs*.	
a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)			
b. Auditors seeking appointment/re- appointment			
c. Proxy documents			
Optional: Recommendation 13.2			
1. Company provides rationale for the agenda items for the annual stockholders meeting			
Recommendation 13.3			

1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.	Compliant	The results of the annual meeting are reported via the PSE immediately after the adjournment of the meeting. This may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c5377675a7c4dbdb3318251c9257320d#sthash.eGIAD9Ab.dpbs.	
2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.	Non-Compliant	Due to the non-operational status of the Company, it currently does not have a website. Nonetheless, the results of the annual meetings are disclosed through the PSE and SEC.	
Supplement to Recommendation 13.3			
1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.	Compliant	The external auditor are always present during the ASM and/or special meeting.	
Recommendation 13.4			
1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	Compliant	This is discussed in Article 15 of the MCG which may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	

2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	Compliant	This is discussed in Article 15 of the MCG which may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	
Recommendation 13.5			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	Non-Compliant		Due to the non-operational status of the Company, there is no separate IRO. However, these functions are performed by the Corporate Secretary.
2. IRO is present at every shareholder's meeting.			
Supplemental Recommendations to Principle 13			
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group			
2. Company has at least thirty percent (30%) public float to increase liquidity in the market.		36.35%	
Optional: Principle 13			
1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting			

2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.			
Duties to Stakeholders			
Principle 14: The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.			
Recommendation 14.1			
1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.	Compliant	This is discussed in Article 16 of the MCG which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
Recommendation 14.2			
1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	Compliant	This is discussed in Article 16 of the MCG which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	
Recommendation 14.3			
1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.	Compliant	Cheryl S. Saldaña-de Leon loydeleon@gselawfirm.com This is discussed in Article 19 of the MCG which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*.	

Supplement to Recommendation 14.3			
1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.	Compliant	This is discussed in Article 16 of the MCG which may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs.	
Additional Recommendations to Principle 14			
1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.	Compliant	The Company requested for exemption from the requirement to maintain a website because of the non-operational status of the Company in November 2013. All important or substantial matters pertaining to the Company are available through the PSE website.	
2. Company respects intellectual property rights.			
Optional: Principle 14			
1. Company discloses its policies and practices that address customers' welfare			
2. Company discloses its policies and practices that address supplier/contractor selection procedures			

Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.			
Recommendation 15.1			
1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.	Compliant	This is discussed in Article 17 of the MCG which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*. These principles are contained in the MCG, although the implementation is pending since the Company currently has no employees.	
Supplement to Recommendation 15.1			
1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.	Compliant	This is discussed in Article 17 of the MCG which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*. These principles are contained in the MCG, although the implementation is pending since the Company currently has no employees.	
2. Company has policies and practices on health, safety and welfare of its employees.			
3. Company has policies and practices on training and development of its employees.			
Recommendation 15.2			
1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.	Compliant	This is discussed in Article 17 of the MCG which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*. Due to the non-operational status of the Company, it is yet to codify its anti-corruption policy.	

2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	Compliant	This is discussed in Article 17 of the MCG which may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs. These principles are contained in the MCG, although the implementation is pending since the Company currently has no employees.	
Supplement to Recommendation 15.2			
1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.	Compliant	This is discussed in Article 18 of the MCG which may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs. These principles are contained in the MCG, although the implementation is pending since the Company currently has no employees.	
Recommendation 15.3			
1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation	Compliant	This is discussed in Article 18 of the MCG which may be accessed through http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs. These principles are contained in the MCG, although the implementation is pending since the Company currently has no employees.	
2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.			
3. Board supervises and ensures the enforcement of the whistleblowing framework.			

Principle 16: The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.			
Recommendation 16.1			
1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	Compliant	This is discussed in Article 18 of the MCG which may be accessed through *http://edge.pse.com.ph/openDiscViewer.do?edge_no=c48061e4f80f8ebd43ca035510b6ec2b#sthash.hcOTH9dg.dpbs*. These principles are contained in the MCG, although the implementation is pending since the Company is non-operational.	
Optional: Principle 16			
1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development			
2. Company exerts effort to interact positively with the communities in which it operates			