

COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

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

Bernard Rabanzo

(Contact Person)

846-7910

(Company Telephone Number)

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Month Day
(Fiscal Year)

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(Form Type)

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Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

I & VII

Amended Articles Number/Section

Total No. of Stockholders

25M

25M

Domestic

NA

NA

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

LCU

[illegible]

Document ID

Cashier

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STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended December 31, 2017
2. SEC Identification Number 184228 3. BIR Tax Identification No. 490-000-275-291
4. Exact name of issuer as specified in its charter MRC ALLIED, INC.
5. Makati City, Philippines
Province, Country or other jurisdiction of
incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. 5/F Eurovilla 4 Building, 853 A. Arnaiz Ave., Makati City 1223
Address of principal office Postal Code
8. +632 846-7910
Issuer's telephone number, including area code
9. MRC ALLIED INDUSTRIES, INC.
Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
...Common Shares	8,512,658,975

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

Yes [x] 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 [x]

No []

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

Yes [x] 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. (See definition of "affiliate" in "Annex B").

The information required by this item is contained in Annex 1 of this Report

Documents Incorporated by Reference

Audited Financial Statements for the period Ended December 31, 2017
Annual Corporate Governance Report

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

MRC Allied, Inc. (MRC) or (“the Parent Company”) was incorporated in the Philippines. The Parent Company is the first publicly listed, property development firm in the Philippines which has found its niche in development of master planned, integrated residential, commercial, recreational, tourism and industrial areas within a single community or township.

Formerly operating as Makilala Rubber Corporation, (incorporated on November 20, 1990), the Parent Company’s activities had been primarily the processing and export of baled natural rubber. In 1993, new stockholder acquired the Company from Philtread Tire & Rubber Corporation and diversified it into real property development, more particularly, into township development.

On October 25, 1994, the Securities & Exchange Commission approved the change of name of Makilala Rubber Corporation to MRC Allied Industries, Inc. In 1995, MRC listed its entire 500 million shares in the Philippine Stock Exchange with an initial public offering share price of three pesos (P3.00) per share. In 1997, MRC decided to divest its rubber business to Makrubber Corporation, its wholly owned subsidiary, to focus on its core business, real property development. Makrubber stopped its operations in 2000 because of the worsening raw material supply due to the Land Reform Program and the peace and order problems in North Cotabato.

Since 2000, MRC has had minimal operations and simply continued and maintained its two eco-friendly projects: the New Cebu Township One (NCTO) of Naga, Cebu; and Amihan Woodlands Township (AWT) of Northern Leyte.

On July 21, 2008, MRC held its annual stockholders’ meeting at the Manila Polo Club for the purpose of electing the new members of its Board of Directors for the term 2008-2009. The stockholders also approved the amendments to MRC Allied Industries, Inc.’s existing Articles of Incorporation in line with the rationalization and quasi-reorganization of the Company, as follows:

- (i) Change in the corporate name from “MRC Allied Industries, Inc.” to “MRC Allied, Inc.”
- (ii) Decrease in the par value of MRC’s common shares from P1.00 per share to P0.20 per share, with the corresponding decrease in its authorized capital stock from P500 million divided into 500 million common shares with a par value of P1.00 per share to P100 million divided into 500 million common shares with a par value of P0.20 per share;
- (iii) Increase in its authorized capital stock of up to, or not exceeding P9.50 billion or 47.5 billion shares at a par value of P0.20 per share;
- (iv) Debt to equity conversion, wherein an issuance of shares from the increased of up to, or not exceeding P750 million or 37.5 billion shares out of such increase in the authorized capital stock.

The rationale behind the capital restructuring and proposed modification of the Parent Company’s issued and outstanding common shares is to reduce its outstanding deficit. On the other hand, the proposed increase in MRC’s authorized capital stock will give way to additional capital infusion by potential investors.

On 8 August 2008, the Board of Directors elected the officers of MRC Allied and its various committees namely the Audit, Nominations and Compensations Committees. During the same meeting, the Board approved the partial implementation of the increase in its authorized capital stock by P2.9 billion divided into 14.5 billion shares with par value of P0.20 per share, thus increasing its authorized capital stock from P100 million divided into 500 million shares to P3.0 billion divided into 15 billion shares with par value of P0.20 per share.

On 23 September 2008, Pacific Asia Capital Corporation (PACC) now Menlo Capital Corporation (MCC) and MRC entered into a Deed of Assignment wherein the following resolutions were made: (i) assumptions of liabilities by PACC of P328.50 million from various creditors of MRC; (ii) MRC agreed for the settlement or extinguishment by PACC of its loans from various creditors; (iii) PACC and MRC agreed to extinguish the debt by converting it into common shares out of MRC’s

increased authorized capital stock of P3.0 billion' (iv) PACC shall subscribe to P725 million covering the 25% minimum subscription for the partial increase of MRC's authorized capital stock of P2.9 billion or 3.625 billion shares out of the 14.5 billion shares increase with par value of P0.20 per share; (v) PACC shall assign, convey, transfer and consider as extinguished MRC's debt in the amount of P328.50 million as partial payment for 1.642 billion shares. As a result of this agreement, PACC shall have 3.625 billion shares, or 87.88% of the outstanding capital stock of MRC, thus effectively acquiring control over MRC.

The above resolutions were subsequently approved by the Philippine Securities and Exchange Commission (SEC) on March 25, 2010.

On February 28, 2013, the stockholders approved a debt-to-equity conversion of up to P1.0 billion of previously contracted debt at P0.20 a share and the reduction in par value of shares from P0.20 to P0.10 to implement a quasi-reorganization by offsetting the resulting additional paid-in capital against the Company's deficit to improve the Company's financial position. The Company still has to file the necessary documents for the debt-to-equity conversion and the quasi-reorganization with the SEC.

On November 8, 2013, Securities & Exchange Commission approved the (1) debt-to-equity conversion payable to a stockholder amounting to P877.5 million as consideration for the issuance of 4,387,658,975 shares of stock with a par value of 0.20 per share and, (2) the Company's equity restructuring. The equity restructuring reduced the par value of shares from 0.20 to 0.10 and the resulting additional paid-in capital of P851.3 million was applied against the Company's deficit. As at December 31, 2013, the company has a positive equity of P755.4 million from a capital deficiency of P99.4 million as at December 31, 2012.

On January 14, 2014, the SEC approved the Company's further equity restructuring by applying additional paid-in capital of P106.4 million to deficit.

As at December 31, 2017 and 2016, the total number of Company shares owned by the public aggregated 4,094,003,250 shares and 4,093,589,688 shares, representing 48.09% and 48.08% of the total issued shares and outstanding, respectively.

The Parent Company is 51.54% owned by Menlo Capital Corporation (MCC), a company incorporated in the Philippines and is engaged in the business of Investment House.

As at December 31, 2017 and 2016, the Company's subsidiaries which were incorporated in the Philippines are as follows:

	Date of Incorporation	Nature of Business	% of Ownership
Menlo Renewable Energy Corporation (MREN)	2015	Renewable Energy	100
MRC Tampakan Mining Corporation (MRC Tampakan)	2011	Mining	100
MRC Surigao Mines, Inc. (MRC Surigao)	2011	Mining	100
Makrubber Corporation (Makrubber)	1990	Processing and export Of natural rubber products	100

Makrubber has ceased commercial operations in 2011.

MREN, MRC Tampakan and MRC Surigao have not started commercial operations. MREN has a capitalization of P=6.3 million, while MRC Surigao and MRC Tampakan have a capitalization of P=5.0 million each.

The Company's registered principal and business address is 5th Floor, Eurovilla 4 Building, 853 A. Arnaiz Avenue, Makati City.

On October 6, 2016, the Company's Board of Directors (BOD) and stockholders approved the following:

- a. Increase in authorized capital stock from P1.5 billion to P5.0 billion;
- b. Acquisition of renewable facilities through its own or its subsidiary;
- c. Change of Company name from MRC Allied, Inc. to MRC Inc.; and
- d. Change of business address from 5th Floor, Eurovilla 4 Building, 853 A. Arnaiz Avenue, Makati City to Asian Star Building 2402-2404, Asean Drive, Filinvest Corporate City, Alabang Muntinlupa City.

Also, on September 20, 2017, the Company's BOD and stockholders approved the following:

- a. Change in the Company's primary purpose to reflect shift of business to renewable energy;
- b. Increase in the number of BOD from seven (7) to nine (9);
- c. Creation of two billion preferred shares; and
- d. 5 for 1 stock split, change in par value from P0.10 to P0.50 of the common shares.

The applications for the approval of these amendments are pending submission to the SEC as at December 31, 2017.

Business/Projects

At present, the principal asset of the Company consists of two land banks. The first is a 160 hectare industrial estate in Naga City, Cebu and the second consists of 700 hectare of raw land in San Isidro Municipality, Leyte. Located thirty five (35) kilometers away from the Mactan International Airport, the industrial estate in Naga City, known as the New Cebu Township One (NCTO), is registered with the Philippine Economic Zone Authority as a special economic zone. At present, the lead locator in the park is Kyocera, a Japanese manufacturer of ceramics. Further development is required to fully maximize the value of this property.

Also classified as a special economic zone, the Leyte Property, known as the Amihan Woodlands Township (AWT), was originally planned as an eco-tourism project, considering the more than 10 km coastline that rises to forested mountains. No major development of the property, however, has been undertaken. The Company was negatively affected by the Asian Crisis of 1997 and essentially maintained minimal operation since then.

The abundant mineral deposits and recent government pronouncements prompted MRC to pursue the opportunity for a shift in business strategy. Global trends in metal prices and the preference for gold as the stable reserve definitely add value to mining resources available worldwide. Key acquisitions by MRC over the last quarter support this strategy:

- On November 8, 2010, MRC entered into a Mines Operating Agreement with Alberto Mining ("AMC") for gold and copper covering a parcel of land with an area of 7,955.70 hectares located at Kiblawan, Davao del Sur and Columbio, Sultan Kudarat. This property is adjacent (on the northeastern boundary) to Tampakan, currently established as the 5th largest gold-copper deposit in the world and potentially the largest in Asia. The MRC Tampakan property is not covered by the ban on open-pit mining. Tampakan is covered by the open-pit ban since its southern area is in South Cotabato where open-pit mining is prohibited. MRC Tampakan Mines, Inc. will be established as the operating subsidiary.

MRC's mining engineers, in coordination with the communities' indigenous community representatives, are conducting geological exploration (March 12 to 17). Laboratory testing will be completed by month-end as MRC awaits the approval of the exploration permit to proceed and thereby complete the preliminary requirements to pave the way for eventual drilling and operations.

- On January 7, 2011, MRC Allied Inc. entered into a Mines Operating Agreement with AMC, also for gold and copper covering a parcel of land with an area 3,718.41 hectares located at the Municipality of Marikatag, Province of Surigao del Sur. This is located in the well-known gold-belt region in southern Philippines.

- On February 4, 2011, MRC entered into a Mines Operating Agreement with Pensons Mining Corporation (an affiliate of Alberto Mines) for copper and gold deposits covering a land area of 8,475 hectares in Paquibato in Mindanao. The mines are located in the mineral-rich mountains of Davao City, Davao del Norte. The Mines and Geosciences Bureau ("MGB") has been processing 11 applications with an aggregate area of 95,000 hectares in the area.
- On March 28, 2011, MRC entered into a Mines Operating Agreement for gold and copper covering a parcel of land with an area of 9,720 hectares located at the Municipalities of Boston and Cateel, Davao Oriental ("Boston-Cateel Mines"). The Agreement involves the mining rights owned by Alberto Mining Corporation, a domestic corporation based in Davao City.
- On August 25, 2011, MRC entered into a Mines Operating Agreement for gold and copper covering a parcel of land with an area of 2,059.27 hectares located at San Miguel & Marihatag, Surigao del Sur ("Surigao Mines" additional)
- On November 16, 2011, Pursuant to the Memorandum of Agreement signed with Upper San Miguel Manobo Sectoral Tribe Council, MRC or wholly owned entity will develop a gold processing facility in the Municipality of San Miguel.

BUSINESS PLANS

a. Clean and Renewable Energy

- Solar Power Plant

The Company, through its subsidiary MREN will develop in New Cebu Township One(NCTO) at least 60 megawatt solar power plant that can either supply electricity to the Visayas grid and/or offer its production to large power consumers within and around Naga City, Cebu. On October 10, 2015, MREN pre-qualified for the award of the service contract related to the solar project. On December 23, 2015, MREN was granted a service contract by the Department of Energy (DOE) for the development of the 60 megawatt solar power project (Naga Solar Project). The said project is currently in its pre-development phase. On January 25, 2017, the BOD of MREN approved the increase of its authorized capital stock from ₱100 million to ₱500 million and decrease in par value from ₱100 per share to ₱1 per share in order to allow the infusion of additional capital. Management is in discussions with local distribution utilities, end-users and other stakeholders for possible supply of electricity from the Naga Solar Project through the execution of a Power Sales Agreement.

The Company executed a Memorandum of Understanding with Merge Energy and Environment Corporation (MEEC). The purpose of the MOU is to confirm that both parties have an interest in developing renewable energy projects in the properties identified by MEEC as target or locations. MEEC is a domestic private corporation engaged in the business of exploration and development of renewable energy resources such as but not limited to biomass, geothermal, oil and gas.

The Company executed a Memorandum of Understanding with China Energy Engineering Group Guangdong Power Engineering Co., LTD. (GPEC). The purpose of the MUO is to confirm that both parties have an interest in developing renewable energy projects in the Philippines as identified by MRC Allied, Inc. GPEC is a foreign company based in Guangzhou in China which is engaged in the business of exploration, development and construction of energy projects.

The Company executed a Memorandum of Understanding with Uni Solar Inc. (Uni Solar). The purpose of the MOU is to confirm that both parties have an interest in developing Solar Photo Voltaic Rooftop projects in the Philippines as identified by Uni Solar. Uni Solar is a company based in the Philippines which is engaged in the business of design, global sourcing, local distribution, manufacturing, and sales of quality and environment-friendly solar power products especially in solar photo voltaic (pv) for rooftops.

On October 2, 2017, the Company acquired 15% ownership in Sulu Electric Power and Light Philippines, Inc. (SEPALCO), which owns and operates a 50 megawatt solar project located in Palo, Leyte for P255.3 million (see Note 6).

On October 10, 2017, the Company, through Sunray Power Inc. (SPI), an affiliate, entered into a Solar Energy Service Contract with the DOE to develop a 100MW Solar Project located within the Clark Green City in Bamban, Tarlac.

- Solar Photovoltaic Systems Project

On February 8, 2018, the Company entered into a contract with Uni Solar Inc. (USI) for the design, supply, delivery, installation, testing and commissioning of solar PV rooftop systems with a target capacity of 4MW of Xentro Mall Developer, Inc., a Company which owns and operates shopping malls in the Philippines and the operation and maintenance of the same.

Real Estate

The Company has two land banks consisting of 160 hectare industrial estate in Naga City, Cebu known as the New Cebu Township One (NCTO) and 700 hectares of raw land in San Isidro Municipality, Leyte known as Amihan Woodlands Township (AWT) (see Note 3). The NCTO comprises of parcels of land that is registered with the Philippine Economic Zone Authority (PEZA). Based on the latest appraisal, the properties, the properties have a fair market value of P1.8 billion.

The Company will lease out portions of the NCTO property for the use and development of the Naga Solar Project to MREN. The Company will also sell unused portions of the NCTO & AWT property to interested buyers.

Mining

The Company entered into Mines Operating Agreements (MOA) for gold and copper with Alberto Mining Corporation (AMC) and Pensons Mining Corporation (PMC) (see Note 14) for the exploration and evaluation of the following mining sites:

Location	No. of Hectares
Kiblawan, Davao del Sur and Columbio, Sultan Kudarat	7,955.7
Marihatag, Surigao del Sur	3,759.3
Paquibato, Mindanao	8,475.6
Boston and Cateel, Davao Oriental	4,860.0

Exploration and evaluation assets recognized in the consolidated statements of financial position amounted to nil and ₱464.3 million as at December 31, 2014 and 2013, respectively. These comprised of 600.0 million shares of consideration paid to AMC and PMC equivalent to ₱444.0 million and ₱20.0 million (see Note 14) paid for the reimbursement of costs on pre-exploration activities.

The above mining sites have an ongoing application for Exploration Permit (EP) with the Mines and Geoscience Bureau (MGB). MGB informed the Company that its application is already in the final stage and it is set to issue a memorandum advice containing the result of their evaluation of the applications. The memorandum advice and the compliance by the Company therein will lead to the issuance of the clearance for the approval of the application for EP.

The ability of the Company to continue as a going concern depends largely on its successful implementation of the above business development projects.

Major Risks Related to the Business

- The Company's profits are subject to price volatility and competition.
- The Company has had minimal operating activities and incurred losses in its recent past.
- The Company's business is subject to operational risks and the Company is not insured against all potential losses.
- Competition in the industries in which the Company is engaged in is intense.
- Additional capital may be needed for operations in the future. If the Company is unable to raise the needed financing, its operations may be adversely affected
- Inflationary pressures especially on fuel and equipment costs could adversely affect the Company's operating costs

To mitigate these risks, the Company is undertaking all cost-effective and cost-efficient means to support its operations, and to prevent incurring further losses.

Furthermore, the Company created a committee that handles risk management. This unit is tasked to review, study and propose concrete ways to manage, if not, mitigate risks relating to the business of the Company.

Advances to Related Parties

The Company, in the normal course of business, has transactions with its related parties. The following summarizes the related party transactions of the Company and its outstanding balances as at and for the years ended December 31, 2017 and 2016:

Stockholder

- a. The Company provides noninterest-bearing cash advances for working capital requirements to a stockholder. These have aggregated P16.1 million and P15.9 million as at December 31, 2017 and 2016, respectively, and are due and collectible on demand.
- b. The Company obtains noninterest cash advances from MCC for its working capital requirements. These have aggregated P163.7 million and P124.6 million as at December 31, 2017 and 2016, respectively, and are due and payable on demand.

Other Related Parties

Transactions with other related parties mainly consist of the following:

- a. Noninterest-bearing cash advances made to officers aggregated P349,000 and nil as at December 31, 2017 and 2016. In 2016, the Company's advances to officers and employees were fully provided with allowance.
- b. Management and professional fees of key management personnel of the Company amounted to P1.1 million 2017 and 2016.

Patents and Trademarks

MRC's operations are not dependents on patents, trademarks, copyrights and the like.

Cost and Effects of Existing/Probable Regulations

On September 30, 1996, the President of the Philippines issued Proclamation No. 889 designating MRC as an ecozone developer/operator of **New Cebu Township Ecozone** pursuant to Republic Act No 7916 and its implementing Rules and Regulations. On February 3, 1997, the President of the Philippines issued Proclamation No. 955 amending Proclamation No. 889, to increase area covered from 366,643 sq. m. to 1,228,261 sq. m. The President of the Philippines

issued Proclamation No. 247 on February 24, 2000 proclaiming **Amihan Woodlands Township** as a Special Economic Zone pursuant to Republic Act No. 7916 as amended by Republic Act No. 8748.

Research and Development

In the last (10) eight years, MRC has not undertaken any significant research and development activities.

Government Approval of Principal Products or Services

The mining sites have an ongoing application for Exploration Permit (EP) with the Mines and Geosciences Bureau (MGB). MGB informed the Company that its application is already in the final stage and it is set to issue memorandum advice containing the result of their evaluation of the applications. The memorandum advice and the compliance by the Company will lead to the issuance of the clearance for the approval of the application of EP.

Solar Energy Service Contract

MREN entered into a Solar Energy Service Contract with the DOE for the exclusive right to explore, develop and utilize the Solar Energy Resources within the contracted area in Naga City, Cebu. The contract is in predevelopment stage which is a non-extended period of two years from December 23, 2015. Upon the issuance of a Certificate of Commerciality by the DOE, the service contract shall remain for a period of 25 years from the effective date.

MREN, among others, has to secure any necessary permits and clearances from all relevant government entities for the project. It also has to perform exploration, assessment, field verification, harnessing, piloting and other activities and provide technology and financing in connection with the predevelopment stage.

The government's share shall be equal to one percent (1%) of the gross income from the sale of electricity generated from Solar Energy Operation.

On January 15, 2018, the Company requested for a 180-day extension period from Department of Energy to complete the predevelopment activities and declare commerciality of the solar project.

On January 25, 2017, the BOD of the MREN approved the increase of the authorized capital stock from P100.0 million to P500.0 million, to raise capital to fund this solar energy project. Management is in discussions with local distribution utilities, end-users and other stakeholders for possible supply of electricity from the Naga Solar Project through the execution of a Power Sales Agreement (see Note 1).

Cost and Effects of Compliance with Environmental Laws

MRC has already obtained the following environmental compliance certificates: ECC to develop and operate NCTO and to construct an administration building; and ECC for the developments of high-end residential, airstrip, and marina for AWT. Likewise, the Company had entered into a joint monitoring activity with respective local government units for NCTO and AWT to monitor environment compliance.

MRC has complied with all environmental regulatory requirements as evidenced by the permit secured from DENR. There is no material costs involved.

Competition

So far, there are five known competitors in the area, namely: Mactan Economic Zone 1 and 2, Cebu Light & Industrial Park, West Cebu Industrial Park and Danao (Mitsumi) Special Economic Zone. NCTO's unique setting, abundant water supply with much lesser rate, more stable power supply and hundreds of fiber-optic cabled high-speed voice and data telephone lines. These make NCTO a competitor to reckon with.

The MRC Tampakan project has the Sagittarius Mines, Inc. (SMI) as competitor. The Tampakan deposit is one of the largest underdeveloped copper-gold deposits in the world, and has the potential to be the largest mine in the Philippines, and the fifth largest copper mine in the world by 2016.

Customers

The Company has a wide market base due to the fact that its initial areas of operations are principally in the Central and Southern Philippines. **MRC's** township projects are strategically located in non-congested areas, near centers of educated and highly productive work force and ample sources of water and power.

Employees

As of the date of this report, the manpower complement of MRC consists of twenty (20) personnel. These employees are not covered by a collective bargaining agreement.

There is nothing to disclose as of the date of this report regarding any supplemental benefits or incentive arrangements that MRC has or will have with its employees.

Item 2. Properties

Described below are the properties in which the Company has investments:

- a. **The New Cebu Township One (NCTO) Ecozone** – NCTO represents MRC's first major property undertaking. The township, as a master-planned by renowned Jurong Town Corporation, is envisioned to become a wholly integrated community which will contain a light industry, processing zone, residential, commercial and recreational areas. Another prominent strength of the project is well-planned provision of water and power utilities. Locators are assured of their water supply from deep wells and impounded water reservoir. The power requirements of the zone will be tapped from the Leyte and Negros Oriental geothermal plants which are the part of the Visayas power grid of the National Power Corporation.

The township project, located in the Municipality of Naga, Cebu consists of 250 hectare; 123 hectares of phase one of the NCTO while 114 hectares or more are being consolidated which will later constitute phase two of the development. Phase two will be developed mainly as an expansion of Cebu Techno Park, and low to medium end residential housing for employees in the township.

Among its major locators are Seagate Technology, Inc. of the United States, Kyocera of Japan, Air Liquide of France and AP Precisions Philippines, Inc.

The Company plans to develop in NCTO at least 50 megawatt solar power plant that can either supply electricity to the Visayas grid and/or offer its production to large power consumers within and around Naga City, Cebu. Management is currently negotiating with several interested local and foreign entities concerning the solar project. The renewable energy venture of the Company will be subjected to the approval by its stockholders.

Certain portions of the property are subject of a preliminary attachment arising from the San Gabriel Case. (Please refer to discussion under the item "Legal Proceedings")

- b. **Amihan Woodlands Township (AWT)** - Located in San, Isidro, Leyte with a lot area of 732 hectares, AWT was originally planned as an eco-residential/tourism project with Ecozone status.

The open spaces and woodlands consist of the natural forest, mangrove swamps, beaches and marine preserves which will be protected sanctuaries and which will serve as the centerpoint of the property development. The residential areas for locators are divided into three districts. There will be high-end luxury residential which will be offer

single-detached villas and mid-rise condominium and town-houses for transients and permanent residents and low-cost housing areas for employees of different establishments operating within the Township.

The large mixed-use areas will contain commercial, recreational and residential zones. It will allow locators and investors to establish resort facilities, hotels, and condominiums, and world class golf courses.

The industrial park will permit light industrial activities and other parallel uses. This will also be the site of the port operation facilities of the seaport and the airport. The remaining areas are reserved for infrastructure facilities and utilities which include an airport, seaport/marina, a lake/water reservoir, and road network.

Due to its present financial condition, no major development of the property has been undertaken.

As of 31 December 2010 and 2009, the carrying values of the above real estate properties/projects amounted to P606.36 million and P606.36 million. However, as determined by an internal appraiser in 2010 and a dependent firm of appraisers in 2011, the fair market value of the real estate projects is higher than the carrying amount by P1.0 billion.

c. Other Properties

On November 8, 2010, MRC entered into a Mines Operating Agreement with Alberto Mining ("AMC") for gold and copper covering a parcel of land with an area of 7,955.70 hectares located at Kiblawan, Davao del Sur and Columbio, Sultan Kudarat. This property is adjacent (on the northeastern boundary) to Tampakan, currently established as the 5th largest gold-copper deposit in the world and potentially the largest in Asia. The MRC Tampakan property is not covered by the ban on open-pit mining. Tampakan is covered by the open-pit ban since its southern area is in South Cotabato where open-pit mining is prohibited. MRC Tampakan Mines, Inc. will be established as the operating subsidiary.

The Company recently acquired a property located in Barangay Castillo, San Miguel, Surigao del Sur with a total area of 38,634 square meters where the proposed gold processing plant will be constructed.

The above mining sites have an ongoing application for Exploration Permit (EP) with the Mines and Geosciences Bureau (MGB). MGB informed the Company that its application is already in the final stage and it is set to issue memorandum advice containing the result of their evaluation of the applications. The memorandum advice and the compliance by the Company will lead to the issuance of the clearance for the approval of the application of EP.

The Company also currently leases its office space located at 5th Floor, Eurovilla 4 Building, 853 A. Arnaiz Avenue, Legaspi Village, Makati City. The office space has a total area of 208 square meters. The term of the lease was for one (1) year starting December 1, 2011 to December 1, 2012, renewable upon mutual agreement by the parties. The rent is Php 62,400 per month exclusive of twelve percent (12%) value-added taxes,

Item 3. Legal Proceedings

***Sps. Japson, Sps. Vivares, MRC Allied Inc, et al. vs. Salubre
Civil Case No. CEB-224928
Regional Trial Court Branch 23, Cebu City***

The Company is involved as a co-plaintiff in Civil Case No. CEB-224982, entitled Sps. Japson, Sps. Vivares and MRC Allied Industries, Inc. vs. Salubre in the latter's capacity as Provincial Treasurer for the Province of Cebu City, Branch 23. The complaint sought to stop the auction sale of the real properties of MRC scheduled on November 26, 2008

at Naga, Cebu, allegedly for nonpayment of real property tax. The Regional Trial Court did not issue a temporary restraining order, but the case is still pending. The auction did not push through, and no notice of auction sale has been sent to the Company as of this date.

The case is in the Pre-Trial Stage and has been referred to mandatory mediation proceedings before the Philippine Mediation Unit. The parties have already initially discussed on how the case can be settled amicably but no formal agreement for the purposes has been finalized.

***San Gabriel Holdings Corp. et al v. MRC Allied Holdings, Inc.
and Benjamin Bitanga, Civil Case No. CEB 87433
Regional Trial Court Branch 23, Cebu City***

The Company is a defendant in a civil case for rescission of contract and restitution involving the principal amount of Php 14.9 million with prayer for preliminary attachment before the Regional Trial Court of Cebu City, Branch 23. The case was filed on February 7, 2011 by San Gabriel Holdings Corporation and Gabriel V. Leyson, and docketed as Civil Case No. 37433. Sometime in 1997, the Company's previous management entered into a contract to sell with San Gabriel Holdings. The object of the contract was a parcel of land located in San Isidro, Leyte. San Gabriel Holdings alleges that it had fully paid the purchase price and that MRC failed to comply with its corresponding obligations. San Gabriel sought to rescind the contract, recover the purchase price with damages. Consequently, San Gabriel Holdings sent a demand letter on April 6, 2000 for the delivery and execution of a deed conveying title to the property. More than 10 years later, another demand letter was sent to the new management.

MRC filed a Motion to Dismiss dated April 23, 2012 on the ground of improper service of summons and has moved to set aside the writ of preliminary attachment. The Company believes that based on the allegations of the complaint, the cause of action has already prescribed pursuant to the provisions of the Civil Code on prescription of action.

The case has been **dismissed** without prejudice for the unjustified failure of the Plaintiffs to submit a Pre-Trial Brief and for their failure to attend the Pre-Trial Hearing set for the case. The Plaintiff has filed a Motion for Reconsideration of the Dismissal of the Case. The Motion for Reconsideration is set for hearing on 26 June 2015. MRC Allied will file an opposition to the Motion.

***MRC ALLIED INC. VS. KINSEKI CRYSTAL DEVICE LTD. KYOCERA CRYSTAL DEVICE
PHILIPPINES INC. All other persons claiming rights under Kinseki Ltd. Case No. R83***

Nature of the case: Ejectment (Unlawful detainer)
Court: Municipal Trial Court in Cities, Naga City, Cebu
Acting Judge: Hon. Veronico Sardoncillo

Facts:
Plaintiff is the owner of a portion of land in New Cebu Township One Special Ecozone, Barangay Cantao-an, Naga City, Cebu.

The Defendant Kinseki and Plaintiff entered into a Lease Contract dated December 1, 1996 over the 35,000 sqm portion of the above-mentioned property.

That sometime December 2014, Plaintiff came to know that Defendant Kinseki have allowed another entity, Kyocera Crystal Devices Philippines, Inc., to occupy its leased premises without the required express consent of the plaintiff, in violation of one of the express provisions in the contract of lease.

Status:
Motion to Disallow Deposition

Defendant Kyocera was given 10 days to file comment on the motion. On the other

hand, Plaintiff was given 5 days from receipt of respondent's comment to file reply. To date, no comment yet has been filed by the Defendant Kyocera.

Motion for Reconsideration on the Order dated June 6, 2016. Defendant Kyocera was given 10 days to file comment on the Motion for Reconsideration. On the other hand, Plaintiff was given 5 days from receipt of respondent's comment to file reply. To date, no comment yet has been filed by the Defendant Kyocera.

Aside from the foregoing, there are no other pending civil, criminal or administrative cases involving the Company or any of its directors or officers, whether commenced before the concerned administrative agencies or before the regular courts as of the date of this certification.

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

On September 20, 2017, the special stockholders meeting was held at Manila Polo Club, McKinley Road Forbes Park, Makati City, the following matters were likewise approved and confirmed by the majority of the stockholder's:

a) The amendment of the Second Article of the Articles of Incorporation to include renewable energy activities in its primary purpose, as follows:

"SECOND: That the purposes for which the said corporation shall be formed are:

PRIMARY PURPOSE : To develop, design, construct, operate, maintain, buy, acquire, sell, import and export renewable and clean energy equipment, systems, power plants and technologies that produce electricity from renewable and clean energy resources such as, but not limited to solar, wind, hydro, geothermal, biomass, liquefied natural gas, and other clean and renewable energy sources, and to make equity investments in and participate in the management of, as stockholder, general partner or member of a domestic corporations, partnerships and other entities engaged in the acquisition, finance, construction, development and improvement, ownership, operation, maintenance and holding of renewable and clean energy power production and electrical generation facilities in the Philippines, and other property incidental thereto, and the production and sale and trade of electricity.

To purchase or otherwise acquire and own, hold, use, develop, subdivide, manage, operate, lease, lease out, sell assign, transfer, mortgage, pledge, exchange otherwise dispose of personal property or business of every kind and description, and, while the owner or the holder of such personal property or business, to receive, collect and dispose of any income arising therefrom and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, and to do any act designed to protect, preserve, improve, or enhance the value of, or otherwise develop personal property or business at any time held or controlled by this corporation or in which it may be interested."

b) The amendment of the Sixth Article of the Articles of Incorporation to increase the number of directors from seven (7) to nine (9), as follows:

"SIXTH: That the number of directors of the Corporation shall be nine (9) and the names , citizenship and address of the directors who are to serve until their successors have been elected in accordance with the by-laws are:"

c) The amendment of the Seventh Article of the Articles of Incorporation to create preferred shares to be part of the increase in the Company's authorized capital stock, as follows:

"SEVENTH: The authorized capital stock of the Corporation is Three Billion Five Hundred Million Pesos (Php 3,500,000,000), Philippine Currency, consisting of Three Billion (3,000,000,000) common shares with par value of Fifty Centavos (Php 0.50) per share and Two Billion (2,000,000,000) preferred shares with par value of One Peso (Php 1.00)per share.

The amendments in the Articles of Incorporation will allow the company to pursue Renewable Energy projects at the same time we will be able to raise funds. The intended increase in authorized capital stock will not involve the acquisition and/or disposition of any of the properties. The funds that will be raised from the intended increase will be used for the future acquisition of renewable energy generation facilities.

To rationalize the organizational structure that will maximize the economic benefits to MRC shareholders, strengthen corporate governance, increase in transparency, improve corporate structure and enhance management team. The composition of the abovementioned amendments of increased in capital stock is the result of the creation of preferred shares in the amount of Two Billion Pesos (2,000,000,000 .00) and after the reverse stock split from Ten Centavos (Php0.10) par value per share to Fifty Centavos (Php0.50) par value per share of common stock .

June 16, 2017, the annual stockholders meeting was held at Manila Polo Club, McKinley Road Forbes Park, Makati City, the following matters were likewise approved and confirmed by the majority of the stockholder's:

1. The minutes of the previous meeting of the stockholders held on 6 October 2016 at the Manila Polo Club, McKinley Road, Forbes Park, Makati City was approved and confirmed;
2. The Management Report prepared by the Board of Director was approved and confirmed;
3. The 2016 Audited Financial Statement of the Corporation was approved and confirmed;
4. The acts, proceedings, transactions, and agreements, authorized by and entered into by the Board of Directors and officers of the corporation, for and on behalf of the Corporation from the last annual stockholders' meeting to date were also approved, confirmed and ratified;
5. The firm Reyes Tacandong & Company was appointed as external auditors of the Corporation;
6. The following were nominated and elected as members of the Board of Directors of the Company: Carlos Jose P. Gatmaitan, Jimmy Tiu Yaokasin, Atty. Gladys N. Nalda, Bernard B. Rabanzo, Atty. Michael B. Arciso, , (Independent Director) and Zenaida Y. Monsada (Independent Director);

7. The approval of the following:

Stock Split

The increase in par value from Php0.10 to Php0.50 aims to reduce the company's total issued and outstanding shares to a level more appropriate to the industry, and to encourage the participation of institutional investors by raising the market price to at least Php1.00. Each five (5) shares of issued and outstanding common stock will be automatically converted into one (1) newly issued and outstanding share of common stock. At the average traded price to Php0.246 per MRC share, a 1-for-5 reverse stock split could raise the traded price to Php1.23 per share. It does not impact the financial holding of existing investors. It does, however, increase the price barrier for new investors.

There will be a proportionate reduction of the number of issued and outstanding common shares from 8,512,658, 975 to 1,702,531,795 and par value from Php0.10 to Php0.50 per share. Although the number of shares held decreases based on the split ratio, the value does not change. Proportionate voting rights and other rights of the stockholders will not be affected by the reverse stock split, other than the treatment of fractional shares.

Private Placement

The approval for the management to explore the option of conducting a private placement

for the outstanding and unissued portion of the authorized capital stocks in order to raise capital, subject to the terms of reference to be approved by the board & stockholders.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

a. Market Information

MRC's common shares are traded in the Philippine Stock Exchange. The volume of its shares traded from 2015 to 2017 has been negligible due to market conditions.

The following are the highlights of trading during every quarter for the past three years where the last trading date was December 29, 2017 at P0.3350.

2017	High	Low
1 st Quarter	0.2230	0.2150
2 nd Quarter	0.4050	0.3700
3 rd Quarter	0.3500	0.3350
4 th Quarter	0.3450	0.3350
 2016	 High	 Low
1 st Quarter	0.09	0.09
2 nd Quarter	0.10	0.10
3 rd Quarter	0.24	0.23
4 th Quarter	0.13	0.13
 2015	 High	 Low
1 st Quarter	0.13	0.12
2 nd Quarter	0.12	0.11
3 rd Quarter	0.09	0.09
4 th Quarter	0.08	0.07

b. Security Holders

The number of shareholders of record as of the date of this Report is 636 and a common share outstanding is 8,512,658,975.

MRC's Top 20 Stockholders as of December 31, 2017 are as follows:

TOP	NAME	TOTAL SHARES	PERCENTAGE
1.	Menlo Capital Corporation	4,387,672,720	51.5429
2.	PCD Nominee Corporation	3,852,327,583	45.2541
3.	Pan Asia Securities Corp	199,540,000	2.3440
4.	EMRO Holdings, Inc.	40,833,000	0.4797
5.	Philippine TA Sec., Inc.	3,750,000	0.0441
6.	Bayan Financial Brokerage	3,399,500	0.0399
7.	1997 Bougainvillea Corporation	2,429,000	0.0285
8.	Lucky Securities, Inc.	1,878,000	0.0221
9.	William T. Gabaldon	1,850,000	0.0217
10.	Pua Yok Bing	1,000,000	0.0117
11.	Moises Ocampo &/or Josefina	915,000	0.0107
12.	Victor G. Sy	900,000	0.0106
13.	Leoncio Tan Tiu	700,000	0.0082
14.	Winston F. Garcia	600,000	0.0070
15.	Celso L. Lobregat	500,000	0.0059
16.	Roberto Tan Yap	500,000	0.0059
17.	Elpidio Duca	460,000	0.0054

18.	Asian Appraisal Holdings, Inc.	413,562	0.0049
19.	Fely C. Ley	400,000	0.0047
20.	Leonardo T. Seguion-Reyna	400,000	0.0047

There is no information available as of this date of this Report which relates to acquisition, business combination or other reorganization which could affect the present holdings of MRC's shareholders.

c. Dividends

No cash dividends declared on each class for the two most recent fiscal years and any subsequent interim period.

d. Recent Sales of Unregistered Securities or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

In 1995, the Company listed its entire 500 million shares in the Philippine Stock Exchange. All are fully sold and outstanding.

In October 7, 2010, the PSE approved the listing of an additional 3,121,416,747 common shares via debt to equity conversion subject to 180-day lock up period pursuant to the rules of the Exchange.

In May 23, 2012, the PSE likewise approved the listing of an additional 503,583,253 common shares as the final tranche of the debt to equity conversion.

On February 28, 2013, the stockholders approved a debt-to-equity conversion of up to P1.0 billion of previously contracted debt at P0.20 a share and the reduction in par value of shares from P0.20 to P0.10 to implement a quasi-reorganization by offsetting the resulting additional paid-in capital against the Company's deficit to improve the Company's financial position. The Company still has to file the necessary documents for the debt-to-equity conversion and the quasi-reorganization with the SEC.

On November 8, 2013, Securities & Exchange Commission approved the (1) debt-to-equity conversion payable to a stockholder amounting to P877.5 million as consideration for the issuance of 4,387,658,975 shares of stock with a par value of 0.20 per share and, (2) the Company's equity restructuring. The equity restructuring reduced the par value of shares from 0.20 to 0.10 and the resulting additional paid-in capital of P851.3 million was applied against the Company's deficit. As at December 31, 2013, the company has a positive equity of P755.4 million from a capital deficiency of P99.4 million as at December 31, 2012.

With the issuance of new shares in favor of Menlo Capital Corporation, MRC's outstanding capital stock increased to 8,512,658,975 shares.

There are no recent sales of unregistered securities or exempt transaction, neither are there recent issuances covered by rules on Exempt Transactions.

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

The following are the financial highlights of the Company and its subsidiaries for the years 2017, 2016 and 2015:

2017- MRC's total assets is P1.34 billion and P1.084 billion as at December 31, 2017 and December 31, 2016, respectively. Trade and Other Receivables totaled at P16.53 million and P15.96 million as at December 31, 2017 and December 31, 2016, respectively. Advances made to officers and employees amounted to P0.65 million in 2017 and P0.30 million in 2016 are noninterest-bearing and are settled through liquidation and salary deduction for a specified period of time. In 2016, the Company provided allowance for impairment loss on trade and other receivables amounting to P0.3 million. Real Estate Projects amounted to P562.80 million and P562.80 million for 2017 and 2016. This consists of the Amihan Woodlands Township of P359.25 million and Naga Cebu Township One of P203.54 million for 2017 and 2016. These properties

are valued at P1,100.00 million and P802.10 million for NCTO and AWT, respectively, based on a valuation report by an independent appraiser dated June 13, 2017. The independent appraiser used the sales comparison approach. This fair value measurement is categorized as Level 2 and management believes that this value is indicative of the fair market value of the properties. There were no borrowing costs capitalized as at December 31, 2017 and 2016. No allowance for impairment losses was recognized in 2017 and 2016 because the fair value of the real estate projects is higher than the carrying amount. Other current assets consist of Input VAT, Deposits, CWT and Prepaid Expenses of P4.23 million and P3.33 million as at December 31, 2017 and December 31, 2016, respectively. The Company recognized other income from the reversal of allowance for impairment losses amounting to P1.0 million in 2017, P0.6 million in 2016 and P0.3 million in 2015. Other non-current assets consists of Investment in shares of stock amounting to P255.25 million, Predevelopment costs amounting to P23.47 million and other non-current asset amounting to P2.50 million as at December 31, 2017 and Predevelopment costs amounting to P22.03 million and other non-current asset amounting to 2.50 million as at December 31, 2016. Investment in shares of stock pertains to the 15% investment in the shares of stock of SEPALCO. Predevelopment costs pertains to the costs incurred by the Company in acquiring licenses and service contracts in relation to MREN's solar energy service contract with the DOE in Naga City, Cebu. As at December 31, 2017 and 2016, the carrying amount of the Company's property and equipment amounted to ₱10.6 million and ₱12.5 million, respectively. In 2017, the Company disposed of fully-depreciated transportation equipment costing ₱48.0 million. The cost of fully depreciated property and equipment that are being used by the Company amounted to ₱5.3 million and ₱45.6 million as at December 31, 2017 and 2016.

No movements since 2011 in the Exploration and valuation assets amounted to P464.25 million and P464.25 million as at December 31, 2017 and December 31, 2016, respectively.

The Company's total liabilities and equity is P1,340.32 million and P1,084.28 million as at December 31, 2017 and December 31, 2016, respectively. Bank loan amounting to ₱25.0 million represents due and demandable, unsecured loans payable to First Metro Investment Corporation with 13% annual interest. Accrued interest and penalties amounted to ₱341.3 million and ₱316.8 million as at December 31, 2017 and 2016, respectively. In 2015, accrued project costs and salaries and benefits with an aggregate amount of ₱12.8 million were reversed. Gain from reversal of long outstanding other payables were recognized. The Company, in the normal course of business, has transactions with its related parties. The following summarizes the related party transactions of the Company and its outstanding balances as at and for the years ended December 31, 2017 and 2016. The Company provides noninterest-bearing cash advances for working capital requirements to a stockholder. These have aggregated ₱16.1 million and ₱15.9 million as at December 31, 2017 and 2016, respectively, and are due and collectible on demand. The Company obtains noninterest cash advances from MCC for its working capital requirements. These have aggregated ₱163.7 million and ₱124.6 million as at December 31, 2017 and 2016, respectively, and are due and payable on demand. Noninterest-bearing cash advances made to officers aggregated ₱349,000 and nil as at December 31, 2017 and 2016. In 2016, the Company's advances to officers and employees were fully provided with allowance. Management and professional fees of key management personnel of the Company amounted to ₱1.1 million 2017 and 2016.

Subscription payable amount to P255.25 million in 2017 and P0.00 million in 2016 represents investment in shares of stock pertains to the 15% investment in the shares of stock of SEPALCO. The Retirement benefit expense amounted ₱2.3 million, ₱1.5 million and ₱1.3 million in 2017, 2016 and 2015, respectively. As at December 31, 2017 and 2016, retirement liability amounted to ₱7.0 million and ₱11.8 million, respectively.

The Company's total net loss is P60.70 million, P65.80 million and P41.14 million as at December 31, 2017, December 31, 2016 and December 31, 2015, respectively. The components include General and administrative expenses amounted to P42, 20 million, P42.75 million and P31.13 million as at December 31, 2017, December 31, 2016 and December 31, 2015, respectively. For Interest expenses and penalties amounted to P24.43 million in 2017, P23.58 million in 2016 and P22.83 million in 2015. Amounts represent the accrued interest expense and penalties on the bank loans with First Metro Investment Corporation.

The Company has incurred expenses as it continues to explore and develop potential business ventures, particularly renewable energy, resulting to a deficit. However, because of debt-to-equity conversions in 2013 and 2012 and the equity restructuring in 2014 and 2013, it has reduced its deficit

resulting to a positive equity of ₱545.0 million and ₱605.7 million as at December 31, 2017 and 2016, respectively.

2016 – The company total assets is P1.084 billion and P1.063 billion as at December 31, 2016 and December 31, 2015, respectively. Receivables amounted to P54,052 and P344,440 as at December 31, 2016 and 2015, respectively are advances made to officers and employees and are settled through liquidation and salary deduction for a specified period of time. In 2016, the Company provided allowance for impairment losses amounting to P0.3 million. In 2015, long outstanding trade and other receivables previously provided with allowance for impairment losses amounting to P82.0 million were written off. Real estate projects are valued at P539.8 million and P1,071.7 million for NCTO and AWT, respectively. There were no borrowing costs capitalized as at December 31, 2016 and 2015. The Company, in its normal course of business, has transactions with its related parties. Noninterest bearing cash advances to MCC of ₱15.9 million in December 31, 2016 and P13.3 million in December 31, 2015. The Company obtained cash advances from its stockholder for working capital requirements which amounted to P123.6 million and P62.3 million as at December 31, 2016 and 2015, respectively. These advances are due and payable on demand. Non-interest bearing cash advances made to officers amounted to P54,052 and P0.3 million as at December 31, 2016 and 2015. In 2016, the Company provided allowance for impairment losses on advances to officers and employees amounting to P0.3 million. There were no compensation of key management personnel of the Company in 2016 and 2015. Other current assets amounting to P3.33 million and P1.60 million as at December 31, 2016 and 2015, respectively. The Company recognized other income reversal of allowance for impairment losses amounting to P0.6 million and P0.3 million in 2016 and 2015, respectively. Property and equipment amounted to P12.52 million and P11.64 million as at December 31, 2016 and 2015, respectively. The cost of fully depreciated property and equipment that are being used by the Company amounted to P45.6 million and P33.5 million in 2016 and 2015, respectively. No movement on exploration and evaluation assets of P464.25 million and P464.25 million as at December 31, 2016 and 2015, respectively. Other non-current assets of P24.5 million and P9.62 million as at December 31, 2016 and 2015, respectively. The increase was due to the predevelopment costs incurred by the Company in acquiring licenses and services contract in relation to Menlo Renewable Energy's solar energy project. Bank loans of P25.0 million and P25.0 million as at December 31, 2016 and 2015, respectively, represents due and demandable loans payable to First Metro Investment Corporation, with interest ranging from 12.0% to 19.5% a year. Trade and Other Payable consists of Interest and penalties incurred on the outstanding loans amounting to P318.15 million and P294.70 million for 2016 and 2015, respectively. Due to related party of P123.61 for 2016 and P62.25 million for 2015. These are transactions made from a stockholder for working capital advances and acquisition of licenses for Menlo Renewable Corporation. Retirement liabilities amounted to P11.79 million for 2016 and P10.33 million for 2015. These are unfunded, defined benefit retirement plan covering all its qualified employees. As a result, the Company's deficit for 2016 is P245.55 million while for 2015, it is P179.74 million.

In terms of profitability, MRC's net loss stood at P65.80 million in 2016 compared to P41.14 million net loss in 2015. The increase in net loss of P24.65 are primarily attributable to the Company's operating expenses particularly on the accrual of interest and penalties on the remaining loans and general and administrative expenses.

2015 – The total assets of the Company is P1.063 billion and P1.060 billion as at December 31, 2015 and 2014, respectively. The carrying amount of Trade and Other Receivables amounted to P0.3 million as at December 31, 2015 and 2014. Allowance for impairment losses of trade and other receivables to nil and PP81.9 million as at December 31, 2015 and 2014, respectively. The company has written off due from Related Parties amounting to P161.1 million. Allowance for impairment losses of due from related parties amounted to P0.0 million and P161.1 million as at December 31, 2015 and 2014, respectively. The carrying amount of due from related parties amounted to P13.3 million and P12.6 million as at December 31, 2015 and 2014, respectively. The amount of the real estate projects amounted to P562.8 million as at December 31, 2015 and 2014, respectively. The fair value of the real estate projects aggregated P1,611.5 million and P1,541.3 million as at December 31, 2015 and 2014, respectively. The Company's property and equipment amounted to P18.8 million and P16.9 million in 2015 and 2014, respectively. No impairment losses on property and equipment were recognized in 2015 and 2014. Other current

assets amounted to P1.6 million and P1.0 million in 2015 and 2014, respectively. Allowance for probable loss of other current assets amounted to P8.7 million and P9.0 million as at December 31, 2015 and 2014, respectively. The net amount pertains to deposits, input VAT and other prepayment. Exploration and evaluation assets amounted to P464.3 million in 2015 and 2014, no impairment was recognized. Retirement liability amounted to P10.3 million and P9.0 million in 2015 and 2014, respectively.

The total liabilities and equity is P1,063.82 million and P1,060.53 million as at December 31, 2015 and 2014, respectively. Bank loans of P25.0 million from First Metro Investment is due and demandable, with interest rates ranging from 12% to 19.5% a year. Interest and penalties amounted to P22.8 million, P22.0 million and P21.2 million in 2015, 2014 and 2013, respectively. Accrued interest and penalties amounted to P293.2 million and P270.5 million as at December 31, 2015 and 2014, respectively. The loan of MRC Surigao pertains to a promissory note obtained on October 18, 2012 from United Coconut Planters Bank amounting to P20.08 million. The note bears 16% - 20% interest a year and is payable every 25th day of the month starting November 2012. The loan was fully paid on June 30, 2015. Accrued project costs and salaries and benefits with an aggregate amount of P12.8 million were reversed. Moreover in 2013, payable amounting to P93.9 million pertaining to payables to contractors were also reversed. Gain from these reversal of long outstanding trade and other payables were recognized. The Company provided non-interest bearing cash advances for working capital requirements to Menlo Capital Corporation amounting to P13.3 million and P12.6 million in 2015 and 2014, respectively. Also obtained non interest cash advances from its stockholders for operation amounted to P62.2 million and P29.3 million as at December 31, 2015 and 2014, respectively. These advances are due and demandable. Noninterest-bearing cash advances made to officers amounted to P1.4 million and P1.3 million as at December 31, 2015 and 2014, respectively. The Company's receivable from AAHI and Kenyon aggregating which were fully provided with allowance amounting to P161.1 million were written off.

The company has a net loss of P41.14 million for 2015 and P42.77 million for 2014 that resulted to a deficit of P179.74 million and P138.59 million as at December 31, 2015 and 2014, respectively. Total equity is P671.51 million and P712.66 million as at December 31, 2015 and 2014, respectively. The company has incurred a deficit mainly because of losses from operations.

In terms of profitability, MRC's net loss stood at P222.12 million in 2012 compared to P211.14 million net loss in 2011. The increase in net loss of P10.97 are primarily attributable to the Company's operating expenses particularly on the accrual of interest and penalties on the remaining loans and overhead expenses.

The Company substantially reduced its development activities due to financial difficulties.

Notes to Financial Statements:

Basis of Preparation

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

Measurement Bases

The consolidated financial statements are presented in Philippine Peso (Peso), which is the Company's functional and presentation currency. All values are rounded to the nearest Peso unless otherwise indicated.

The consolidated financial statements of the Company have been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In principal market for the asset or liability; or

In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal on the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best interest.

A fair value measurement of nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participants that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active market for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

All assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Further information about the assumptions made in measuring fair value is included in Notes 5 and 17 to the consolidated financial statements.

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2017:

Amendments to PAS 7, Statement of Cash Flows - Disclosure Initiative – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to PAS 12, Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses – The amendments clarify the accounting for deferred tax where an asset is measured at fair value and the fair value is below the asset's tax base (e.g. deferred tax asset related to unrealized losses on debt instruments measured at fair value), as well as certain other aspects of accounting for deferred tax assets.

The adoption of the foregoing amended PFRS did not have any material effect on the financial

statements. Additional disclosures have been included in the notes to financial statements, as applicable.

New and Amended PFRS Not Yet Adopted

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2017 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2018 -

PFRS 9, Financial Instruments – This standard will replace PAS 39, Financial Instruments: Recognition and Measurement (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; it will be no longer necessary for objective evidence of impairment before a credit loss is recognized.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

Key Performance Indicators

Below is a schedule showing financial soundness indicators in the year 2016 and 2017:

	December 2017	December 2016
Current/liquidity Ratio	0.74	1.25
Current Assets	P584,287,994	P582,970,474
Current Liabilities	786,182,878	466,775,246
Solvency Ratio	(0.07)	(0.12)
After tax income less depreciation	(P57,308,457)	(P59,417,329)
Total liabilities	795,311,273	478,567,810
Debt-to-equity Ratio	1.46	0.79
Total liabilities	P795,311,273	P478,567,810
Total equity	545,012,972	605,715,783
Asset-to-equity Ratio	2.46	1.79
Total assets	P1,340,324,245	P1,084,283,539
Total equity	545,012,973	605,715,783
Interest rate coverage Ratio	(1.69)	(2.00)
Income before interest and taxes	(P41,223,607)	(P47,177,200)
Interest expense	24,433,443	23,587,565

Profitability Ratio		
Return of Assets	(0.05)	(0.06)
After tax loss	(P60,702,811)	(P65,804,051)
Total assets	1,340,324,245	1,084,283,593
Return on equity	(0.11)	(0.11)
After tax loss	(P60,702,811)	(P65,804,051)
Total equity	545,012,973	605,715,783

Discussion and Analysis of Material Events

(1). (i) MRC's debt-to-equity restructuring have a material impact on its liquidity and equity in the first quarter of 2014. The quasi-reorganization, debt to equity conversion and the decrease in MRC's par value resulted to a positive equity.

(ii) There are no other known trends, commitments, events or uncertainties that will have a material impact on MRC's liquidity within the next twelve (12) months except for those mentioned above.

(2) (i) There are no material commitments as yet for capital expenditures.

(ii) There are no events that will trigger any direct or contingent financial obligation that is material to the Company or any default or acceleration of an obligation for the period.

(3) (i) There is nothing to disclose regarding any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of MRC with unconsolidated entities or other persons created during the reporting period.

(4) There are no other significant elements of income or loss that did not arise from the MRC's operations or borrowings for its projects.

(5) The causes of the material changes of 5% or more (as discussed above) from period to period of the following accounts are as follows:

Balance Sheet Accounts:

Total assets is P1.34 billion and total liabilities and equity is P795.31 million and P545.01 million, respectively. Total assets went up by P256.04 million due to depreciation and amortization of property and equipment and the investment in SEPALCO.

Due to Related Parties increased by P39.19 million due to the advances made to Menlo Capital Corporation for the operation of the Company because of the new thrust into renewable energy. Other current assets are input vat recorded for the year 2017.

Accrued interest, penalties and other payables of P342.18 million went up by P24.96 million because of the accrual of interest on the bank loan and other payables in the amount of P24.43 million in 2017. We recorded P2.3 million in Pension liability for 2017, thus the increase from P7.00 million in 2016. The Company's tax deferred tax liability amounting to P2.1 million as at December 31, 2017 pertains to the remeasurement gain on retirement liability.

The Company's total net loss is P60.70 million, P65.80 million and P41.14 million as at December 31, 2017, December 31, 2016 and December 31, 2015, respectively. The components include General and administrative expenses amounted to P42, 20 million, P42.75 million and P31.13 million as at December 31, 2017, December 31, 2016 and December 31, 2015, respectively. For Interest expenses and penalties amounted to P24.43 million in 2017, P23.58 million in 2016 and P22.83 million in 2015. Amounts represent the accrued interest expense and penalties on the

bank loans with First Metro Investment Corporation.

Financial Risk Disclosure under SRC Rule 17.1 (1)(A) (ii)

The Company's principal financial instruments are trade and other receivables, due from related parties, bank loans, trade and other payables and due to related parties. The main purpose of these financial instruments is to finance the Company's operations.

The Company has exposure to liquidity risk, credit risk and interest rate risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks and are summarized below:

- a. Liquidity risk-The company's objective is to maintain balance between continuing of funding and flexibility through the availment of loans and advances from related parties. The assets are sufficient to pay the financial liabilities when they fall due.
- b. Credit risk-This refers to the potential loss arising from any failure by counter parties to fulfill their obligations, as and when they fall due. Generally, the credit risk is attributable to receivables. There are no significant concentrations of credit risk because of full provision of valuation allowance as at December 31, 2012 and 2011.

Plan of Operation

The Company has incurred expenses as it continues to explore and develop potential business ventures, particularly renewable energy, resulting to a deficit. However, because of debt-to-equity conversions in 2013 and 2012 and the equity restructuring in 2014 and 2013, it has reduced its deficit resulting to a positive equity of P545.0 million and P605.7 million as at December 31, 2017 and 2016, respectively.

To generate profits to sustain operations, management plans are the following:

Solar Power Plant

The Company, through its subsidiary, MREN, will develop in New Cebu Township One (NCTO) at least 60 megawatt solar power plant that can either supply electricity to the Visayas grid and/or offer its production to large power consumers within and around Naga City, Cebu. On October 10, 2015, MREN pre-qualified for the award of the service contract related to the solar project. On December 23, 2015, MREN was granted a service contract by the Department of Energy (DOE) for the development of the 60 megawatt solar power project (Naga Solar Project). The said project is currently in its pre-development phase. On January 25, 2017, the BOD of MREN approved the increase of its authorized capital stock from P=100 million to P=500 million and decrease in par value from P=100 per share to P=1 per share in order to allow the infusion of additional capital. Management is in discussions with local distribution utilities, end-users and other stakeholders for possible supply of electricity from the Naga Solar Project through the execution of a Solar Power Plant Sales Agreement.

On October 2, 2017, the Company acquired 15% ownership in Sulu Electric Power and Light Philippines, Inc. (SEPALCO), which owns and operates a 50 megawatt solar project located in Palo, Leyte for P=255.3 million (see Note 6).

On October 10, 2017, the Company, through Sunray Power Inc. (SPI), an affiliate, entered into a Solar Energy Service Contract with the DOE to develop a 100MW Solar Project located within the Clark Green City in Bamban, Tarlac.

Solar Photovoltaic Systems Project

On February 8, 2018, the Company entered into a contract with Uni Solar Inc. (USI) for the design, supply, delivery, installation, testing and commissioning of solar PV rooftop systems with a target capacity of 4MW of Xentro Mall Developer, Inc., a Company which owns and operates shopping malls in the Philippines and the operation and maintenance of the same.

Real Estate

The Company has two land banks consisting of 160 hectare industrial estate in Naga City, Cebu known as the New Cebu Township One (NCTO) and 700 hectares of raw land in San Isidro Municipality, Leyte known as Amihan Woodlands Township (AWT) (see Note 5). The NCTO comprises of parcels of land that is registered with the Philippine Economic Zone Authority (PEZA). Based on the latest appraisal, the properties have a fair market value of ₱1.9 billion as at December 31, 2017.

The Company will lease out portions of the NCTO property for the use and development of the Naga Solar Project to MREN. The Company will also sell unused portions of the NCTO property to interested buyers.

Mining

The Company entered into Mines Operating Agreements (MOA) for gold and copper with Alberto Mining Corporation (AMC) and Pensons Mining Corporation (PMC) (see Note 11) for the exploration and evaluation of the following mining sites:

Location	No. of Hectares
Kiblawan, Davao del Sur and Columbio, Sultan Kudarat	7,955.7
Marihatag, Surigao del Sur	3,759.3
Paquibato, Mindanao	8,475.6
Boston and Cateel, Davao Oriental	4,860.0

Exploration and evaluation assets recognized in the consolidated statements of financial position amounted to P464.3 million as at December 31, 2017 and 2016 (see Note 11).

The above mining sites have ongoing applications for Exploration Permit (EP) with the Mines and Geosciences Bureau (MGB). Its applications are already in the final stage and it is set to issue a memorandum advice containing the result of their evaluation of the applications. The memorandum advice and the compliance by the Company therein will lead to the issuance of the clearance for the approval of the application for EP.

The ability of the Company to continue as a going concern depends largely on the successful implementation of the above business development projects.

Item 7. Financial Statements

The firm Reyes Tacandong & Co., has been elected and approved as external auditor of the Company during its annual stockholders' meeting on June 16, 2017.

The financial statements of MRC for December 31, 2016, as audited by Reyes Tacandong & Co. are incorporated in this report as reference. The objective of the audit is to provide an auditors report expressing an opinion on the financial statements for the year 2015 in accordance with Philippine Standards on Auditing. Details of the information of the Independent Auditor are as follows:

Accountant	:	Reyes Tacandong & Co.
Mailing Address	:	26 th Floor Citibank Tower 8741 Paseo de Roxas, Makati City
Certifying Partner	:	Emmanuel V. Clarino
CPA Certificate No.	:	27455
SEC Accreditation No.	:	1499-A Group A Valid until August 31, 2018
Tax Identification No.	:	102-084-004-000
BIR Accreditation No.	:	08-005144-012-2017 Valid until March 8, 2020

PTR No : 6607962
January 3, 2018, Makati City

The Company has complied with SEC Memorandum Circular No 8 regarding rotation of external auditor or engagement partners.

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

There have been no disagreements between MRC and its accountants/external auditors on any accounting matter since the last annual stockholders meeting to date.

Fees and Other Arrangements

The estimated external auditor's fees are based on the agreed timetable that will enable the Company's statutory obligations in relation to the filing of financial statements with the Securities and Exchange Commission. Other services include the assistance in the preparation of the annual income tax return.

For services rendered, fees for the year 2017 is P350,000.00; for 2016 is P350,000.00 and 2015 is P350,000.00, exclusive of VAT and out of pocket expenses.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

a. Incumbent Directors and Positions Held for the Past Five (5) Years

Carlos Jose P. Gatmaitan, Filipino
Chairman

Mr. Gatmaitan previously served as President & CEO of the state-owned PNOC Renewables Corporation. He is also a former director and alternate member of the National Renewable Energy Board. He obtained both his Master's in Business Administration and bachelor's degree in Business Administration from Pepperdine University in Malibu, California. He is an active member and Fellow at the Institute of Corporate Directors-Manila.

Jimmy Tiu Yaokasin, Filipino
Vice-Chairman

Mr. Yaokasin serves as member of the Board of Directors in various companies such as the Development Academy of the Philippines, Splash Corporation, Bethel International School Inc., China Philippine Mining Development Inc. and Leyte Cable TV Network Inc.

He is a Certified Public Accountant who obtained his bachelor's degree from the University of the Philippines where he graduated Cum Laude. He has a Master's in Business Administration degree, which he obtained from the Kellogg School of Management of the Northwestern University of Chicago.

Atty. Gladys N. Nalda, Filipino
President & CEO

Ms. Nalda is former Vice President for Legal and Corporate Services of PNOC Renewables Corporation. She was previously connected with PNOC Exploration Corporation and the Department of Energy as legal counsel. She is a lawyer by profession with extensive background in renewable energy law and project finance.

She obtained her Bachelor of Business Administration degree from the University of the Philippines and her Bachelor of Laws degree from the University of Santo Tomas. She further completed a certificate course in International and Comparative Laws at the University of Strasbourg in France. She is also a graduate of the Professional Directors Program of the Institute of Corporate Directors.

Bernard B. Rabanzo, Filipino
Director/Compliance Officer

Mr. Rabanzo sits in the Board of Menlo Renewable Energy Corporation, MRC Tampakan Mines Inc. and MRC Surigao Mines Inc. He also serves as the head of the Compliance Division of MRC.

He holds a degree in Bachelor of Science in Commerce with a Major in Banking and Finance from St. Louis University in Baguio City. Prior to joining MRC, he was employed at Philippine Wireless Inc.

Celia Chao, Taiwanese
Director

Ms. Celia Chao is a member of the board of various multinational companies such as Yichang Technology (Taiwan), Power Silicon Semiconductors Inc. and Action Integrated Asia Corporation. Ms. Chao is a graduate of Tamkang University in Taiwan and is an advocate of clean and sustainable energy. She is a Taiwanese national who is fluent in English, Mandarin and Taiwanese.

Carlos Jericho L. Petilla, Filipino
Independent Director

Mr. Petilla served as former Secretary of the Department of Energy (DOE) of the Philippines. He served as Governor of the Province of Leyte for three consecutive terms before joining the cabinet of President Benigno Aquino in 2012.

He is a graduate of Management Engineering from Ateneo de Manila University. After graduating in college, he briefly taught Information Technology (IT) and Computer Programming in Ateneo. Thereafter, he co-founded a private corporation engaged in business process outsourcing and knowledge process outsourcing with geographic reach in the Philippines, USA, Canada and Europe.

Edita S. Bueno, Filipino
Independent Director

Ms. Bueno served as former Administrator of the National Electrification Administration (NEA). She joined the rural electrification movement right after graduating from college and has been connected with NEA for more than 30 years. She is considered as one of the pioneers and technocrats in the area of energy development, corporate governance and policy administration.

She is a Fellow of the Institute of Corporate Directors (ICD). She earned her bachelor's degree in Public Administration and graduated magna cum laude from the University of the Philippines (UP). She also earned units in master's degree in the same field from the same university.

Term of Office

The Board of Directors is composed of seven (7) members who are elected and approved at the annual stockholder's meeting, and their term shall be one (1) year and until their successors shall have been elected in the next annual stockholders' meeting. The incumbent directors, as enumerated above, shall hold office until their successors are elected at the forthcoming stockholders' meeting.

b. Corporate and Executive Officers and Positions Held/Business Experience for the Past Five (5) Years

The following are the principal corporate officers of MRC:

President & CEO	:	Gladys N. Nalda
Chief Finance Officer	:	Alejandro A. Palacio
Corporate Secretary	:	Atty. Jan Vincent S. Soliven
Compliance Officer	:	Bernard B. Rabanzo

Alejandro A. Palacio, Filipino

Mr. Palacio is a Certified Public Accountant with extensive experience in project finance, public accounting, internal audit, risk management, IT management, consulting and academe. He was previously connected with Sycip Gorres and Velayo (SGV), Grant Thornton Philippines (Punongbayan & Araullo), Grant Thornton Vietnam Ltd., Institute of Internal Auditors Philippines and Center for Internal Audit Services Philippines. He obtained his Bachelor of Science in Accountancy degree from the University of the Philippines (Visayas) where he graduated Cum Laude.

Jan Vincent S. Soliven, Filipino

Atty. Soliven is the Corporate Secretary of MRC. He holds a degree in Bachelor of Arts in Legal Management from San Beda College of Law, Mendiola, Manila.

Term of Office

The corporate officers of MRC are elected and appointed by the Board of Directors during their Board meeting following the stockholders' meeting, for a term of one (1) year and until their successors are elected and appointed in the forthcoming board meeting.

c. Significant Employees

Other than the above-mentioned directors and corporate officers, there are no significant employees who are expected by the Company to make significant contributions to the business of MRC.

d. Family Relationship

No officers and member of the Board are related by consanguinity.

e. Involvement in Certain Legal Proceedings

Jimmy T. Yaokasin

Case Title	Leyte Development Company, Inc. vs. Pilipinas Shell Petroleum Corporation, Isla LPG Corporation, Brandon Briones, Nolan Supat and Jimmy T. Yaokasin, Jr.
Parties	Plaintiff: Leyte Development Company, Inc. Defendants: (1) Pilipinas Shell Petroleum Corporation (2) Isla LPG Corporation (3) Brandon Briones (4) Nolan Supat and (5) Jimmy T. Yaokasin, Jr.
Case Number	Case No. 2013-07-61
Court	Branch 8 of the Regional Trial Court of Tacloban City
Nature of the Case	Claim for Damages with Application for Issuance of Preliminary Injunction
Brief Description and	Plaintiff is previously the distributor of shellane products in Leyte. After

Issues Involved	the expiry of the Plaintiff's contract, they sought for the extension thereof. Extension was denied and the contract was awarded to the individual defendants. Plaintiff sued the defendants asking for damages on the claim that it developed the market for shellane products in Leyte. The claim for damages has no basis as the award of the contract for distribution of shellane products lies in the sole management discretion of Defendants Isla LPG Corporation/Pilipinas Shell Petroleum Corporation
Amount Involved	PHP50,000,000.00
Status	Plaintiff filed a Motion for Reconsideration of the Order Lifting the previously issued Writ of Preliminary Injunction

Carlos Jericho L. Petilla

Case Title	Department of Transportation (DOTr) through its representative Reiner Yebra, DOTr Undersecretary for Legal Affairs and Procurement vs. Former Transportation Secretary Joseph Emilio Abaya, former Interior Secretary Manuel Roxas II, et al.
Parties	Complainant/s: Department of Transportation through its representative Reiner Yebra, DOTr Undersecretary for Legal Affairs and Procurement Respondent/s: Former DOTr Secretary Joseph Emilio Jun Abaya and other former cabinet officials; former Bids and Awards Committee (BAC) officials; officials of Busan Universal Rail Inc., and a certain Marlo Dela Cruz.
Case Number	Case No. OMB-C-C-17-0447/OMB C-C-17-0420
Court	Office of the Ombudsman
Nature of the Case	Violation of Section 2 of the Anti-Plunder Act/Violation of Section 3 of the Anti-Graft & Corrupt Practices Act (RA 3019)
Brief Description and Issues Involved	This is a complaint against former DOTr Joseph Emilio Abaya and other former cabinet officials, and Busan Universal Rail, Inc. (BURI), the maintenance provider of the Metro Rail Transit Line (MRT3) whose contract was terminated. The DOTr officials and BAC members under Abaya were alleged to have violated several procurement and bidding rules. The case is filed in the official capacity of respondents including undersigned who is former DOE Secretary. Considering that the act/s being complained of occurred at the time when the undersigned was no longer a DOE secretary or cabinet official, a dismissal is now being sought by the lawyers of the undersigned.
Amount Involved	PHP3.8 Billion
Status	Preliminary Investigation

Other than the foregoing, there are no more cases involving the other directors and officers of the Company that are pending as of this report.

Item 10. Executive Compensation

a. Compensation of Directors and Executive Officers

Summarized below are the compensation of directors and executive officers of MRC for the years ended 2017, 2016 and 2015.

Name and Principal Position	Year	Salary	Bonus	Other Compensation
CEO/President & Directors as group Gladys N. Nalda Alejandro A. Palacio – Treasurer Jan Vincent S. Soliven- Corp. Sec. Bernard B. Rabanzo- Compliance				
Total	2017	4,822,688.14	0	0
Total	2016	2,044,000	0	0
Total	2015	2,044,000	0	0
Total	2014	2,160,000	0	0
All other officers & directors as a group named: Carlos Jose P. Gatmaitan Jimmy T. Yaokasin Celia Chao Edita S. Bueno Carlos Jericho L. Petilla				
Total	2017	0	0	1,105,000
Total	2016	0	0	0
Total	2015	0	0	0
Total	2014	0	0	0

b. Standard Arrangement/Material Terms of Any Other Arrangement/Terms and Conditions of Employment Contract with Above-Named Corporate/Executive Officers

No member of the board of directors have received per diem or any compensation for any service provided as directors for the years 2016, 2015 and 2014.

The Company has no other arrangements in material terms, including consulting contracts, pursuant to which any director was compensated, or is to be compensated directly or indirectly for the years 2017, 2016 and 2015.

Item 11. Security Ownership of Certain Beneficial Owners and Management

a. Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Voting Shares

As of December 31, 2017, MRC knows no one who beneficially owns in excess of 5% of MRC's common stock except as set forth in the table below:

Title of Class	Name and Address of the record owner	Citizenship	Amount & Nature of Ownership	Percentage of Class
Common	Menlo Capital Corporation 5/F Eurovilla 4 Building 853 Arnaiz Avenue Makati City	Filipino	4,387,672,720	51.5429
Common Stock	PCD Nominee Corp.* G/F MKSE Building Ayala Avenue, Makati City	Filipino	3,852,327,583	45.2541

***There are no participants who own more than 5% of MRC's voting securities. The name/s of the person/s authorized to vote the shares under this account are unavailable at the time of the distribution of this Report.

b. Security Ownership of Directors and Management

There are no shares held or acquired beneficially by any of the directors and executive officers of MRC other than to vote the shares under this account are unavailable at the time of the distribution of this Report.

Title of Class	Name of Beneficial Ownership	Amount and Nature of Ownership	Citizenship	Percentage of Class
Common Stock	Carlos Jose P. Gatmaitan Director/Chairman c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave. Makati City	1 Record & Beneficial	Filipino	0.0000
Common Stock	Gladys N. Nalda Director/President & CEO c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave. Makati City	1,000 Record & Beneficial	Filipino	0.0000
Common Stock	Jimmy T. Yaokasin Director/Vice- Chairman c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave. Makati City	1 Record & Beneficial	Filipino	0.0000
Common Stock	Bernard B. Rabanzo Director c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave. Makati City	1,000 Record & Beneficial	Filipino	0.0000
Common Stock	Carlos Jericho L. Petilla Independent Director c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave. Makati City	1 Record & Beneficial	Filipino	0.0000
Common Stock	Edita S. Bueno Independent Director c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave. Makati City	1 Record & Beneficial	Filipino	0.0000
Common Stock	Celia Chao Director c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave. Makati City	1 Record & Beneficial	Filipino	0.0000
Common Stock	Jan Vincent S. Soliven Corporate Secretary c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave. Makati City	0	Filipino	N.A.

Common Stock	Alejandro A. Palacio Chief Finance Officer c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave. Makati City	0	Filipino	N.A

Item 12. Certain Relationships and Related Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Company; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

The Company, in the normal course of business, has transactions with its related parties. The following summarizes the related party transactions of the Company and its outstanding balances as at and for the years ended December 31, 2017 and 2016:

Stockholder

a. The Company provides noninterest-bearing cash advances for working capital requirements to a stockholder. These have aggregated P=16.1 million and P=15.9 million as at December 31, 2017 and 2016, respectively, and are due and collectible on demand (see Note 4).

b. The Company obtains noninterest cash advances from MCC for its working capital requirements. These have aggregated P=163.7 million and P=124.6 million as at December 31, 2017 and 2016, respectively, and are due and payable on demand.

Other Related Parties

Transactions with other related parties mainly consist of the following:

a. Noninterest-bearing cash advances made to officers aggregated P= 349,000 and nil as at December 31, 2017 and 2016. In 2016, the Company's advances to officers and employees were fully provided with allowance.

b. Management and professional fees of key management personnel of the Company amounted to P=1.1 million 2017 and 2016.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Pursuant to the Company's Manual on Corporate Governance, the directors and officers of MRC are all exerting their best efforts to comply with the leading practices and principles on good corporate governance. During the Company's annual stockholders' meeting held on 05 July 2011, the stockholders of MRC have elected the new members of its Board. The Board is composed of executive and non-executive directors.

The Company, through the Board, has created various committees pursuant to the provisions of the Manual. The Company has also designated a Compliance Officer, who oversees compliance with the provisions of the Company's Manual. The Company has adopted the self-rating form prescribed by Securities and Exchange Commission.

To ensure compliance with the Company's Manual of Corporate Governance the following were adopted and enforced:

- a. Appointment of Compliance officer
- b. Creation of Board Committees
- c. Conduct of an orientation programs or workshop to operationalize the manual
- d. Attendance by all members of the Board of Directors in every Board Meeting
- e. Disclosure of all material information that could potentially affect the Corporation
- f. Filing of all required information for the interest of the stakeholders.

So far, there was no deviation from the Manual of Corporate Governance except for the following:

- a. There are still vacancies in the seven-member board. The election of independent director is expected to be addressed during the stockholders meeting and when all vacancies are filled.
- b. Given the minimal operations and manpower of the Corporation, the Company has no professional development program in place at present and there was no perceived need for such program during the preceding calendar year.
- c. There are as yet no written policies and strategic guidelines on major capital expenditures. Such policies and guidelines will be fleshed out after the Board has completed its reviews of the financial and operational aspects of the company.

The Company, however, is working on its systems and procedures to improve compliance with the Company's Manual.

PART V – EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C

a. Exhibits – See accompanying Index to Exhibits

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

b. Reports on SEC Form 17-C

During the period covered by this report, the reports on 17-C Current filed with the Commission include the following:

<u>DISCLOSURE DATE</u>	<u>TITLE</u>
03-Jan-17	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)
04-Jan-17	List of Top 100 Stockholders as of December 31, 2016
17-Jan-17	Public Ownership Report
20-Jan-17	Initial Statement of Beneficial Ownership of Securities
25-Jan-17	Material Information/Transactions
01-Feb-17	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)
08-Feb-17	Material Information/Transactions
08-Feb-17	Results of Organizational Meeting of Board of Directors
08-Feb-17	Initial Statement of Beneficial Ownership of Securities
02-Mar-17	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)
08-Mar-17	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or

	Promotion
20-Mar-17	Initial Statement of Beneficial Ownership of Securities
23-Mar-17	[Amend-1] Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)
30-Mar-17	Compliance Report on Corporate Governance
06-Apr-17	Notice of Annual or Special Stockholders' Meeting
06-Apr-17	Material Information/Transactions
06-Apr-17	Change in Par Value
06-Apr-17	Amendments to Articles of Incorporation
11-Apr-17	Annual Report
11-Apr-17	[Amend-1] Annual Report
17-Apr-17	Public Ownership Report
19-Apr-17	List of Top 100 Stockholders
02-May-17	Quarterly Report
09-May-17	Information Statement
09-May-17	[Amend-1] Notice of Annual or Special Stockholders Meeting
16-May-17	Material Information/Transactions
22-May-17	Information Statement
30-May-17	Annual Corporate Governance Report
31-May-17	Other SEC Forms, Reports and Requirements
19-June-17	Result of Annual or Special Stockholders' Meeting
19-June-17	Result of Organizational Meeting of the Board of Directors
19-June-17	Clarification of News Reports
19-June-17	[Amend-1] Amendments to Articles of Incorporation
19-June-17	[Amend-1] Change in Par Value
30-June-17	Material Information/Transactions
30-June-17	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)
30-June-17	Amendments to Articles of Incorporation
30-June-17	Notice of Annual or Special Stockholders' Meeting
05-July-17	Initial Statement of Beneficial Ownership of Securities
06-July-17	Material Information/Transactions
10-July-17	List of Top 100 Stockholders
12-July-17	Public Ownership Report
14-July-17	Material Information/Transactions
21-July-17	Update on Corporate Actions/material Transactions/Agreements
24-July-17	Quarterly Report
27-July-17	Information Statement
27-July-17	Material Information/Transactions
28-July-17	[Amend-1] Material Information/Transactions
07-Aug-17	Clarification of News Reports
08-Aug-17	[Amend-1] Notice of Annual or Special Stockholders' Meeting
09-Aug-17	Material Information/Transactions
20-Sep-17	Material Information/Transactions
21-Sep-17	Substantial Acquisitions
21-Sep-17	[Amend-1] Amendments to Articles of Incorporation
21-Sep-17	Clarifications of News Report
21-Sep-17	Creation and Issuance of New Equity Security
03-Oct-18	[Amend-1] Substantial Acquisitions
10-Oct-18	Material Information/Transactions

11-Oct-18	List of Top 100 Stockholders
13-Oct-18	Public Ownership Report
26-Oct-18	Material Information/Transactions
30-Oct-18	Quarterly Report
17-Nov-18	Material Information/Transactions
17-Nov-18	Material Information/Transactions
24-Nov-18	Material Information/Transactions
24-Nov-18	Reply to Exchange Query
04-Dec-18	Reply to Exchange Query
11-Dec-18	Material Information/Transactions
11-Dec-18	[Amend-1] Update on Corporate Actions/material Transactions/Agreements
29-Dec-18	Clarification of News Report

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 Makati on APR 06 2018.

By:


CARLOS P. GATMAITAN
Chairman of the board


ATTY. GLADYS N. NALDA
President


BERNARD B. RABANZO
Treasurer


ATTY. MARGARETH R. MENDOZA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 06 2018 day of 2018 affiants exhibiting to me his/their Residence Certificates, as follows:

NAME	RES. CERT. NO.	DATE ISSUE	PLACE OF ISSUE
CARLOS P. GATMAITAN	TIN# 160-264-576-000		
ATTY. GLADYS N. NALDA	TIN# 937-171-734-000		
BERNARD B. RABANZO	TIN# 165-995-731-000		
ATTY. MARGARETH R. MENDOZA	TIN# 253-532-153-000		

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Series of: 2018


ATTY. JOHNSTON R. BRUSOLA
Commission No. M-276
Notary Public for Makati City
Until December 31, 2019
JBR, 11th & Bldg. 2nd Fl.,
801 N. Senzang / 1st, Makati City,
Luzon No. 1549 / 01-01-2017
MCLE No. 2017 BAR passover
PTR No. 6623721 / 01-19-18 Makati City
ABP No. 021958 / 01-19-18 Makati City

MRC ALLIED, INC.
SEC SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2017

Consolidated Financial Statements

Page Number

Statements of Management's Responsibility for Financial Statements
Report of Independent Public Accountants
Consolidated Balance Sheets as of December 31, 2017 and 2016
Consolidated Statements of Income and Retained Earnings
For the Years Ended December 31, 2017 and 2016
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016
Notes to Financial Statements

Supplementary Schedules

A. Marketable Securities- (Current Marketable Equity Securities and Other Short-Term Cash Investments)	N/A
B. Amounts Receivable from Directors, Officers, Employees Related Parties and Principal Stockholders (Other than Affiliates)	N/A
C. Non-Current Marketable Equity Securities, Other Long-Term Investments In Stock, and Other Investments	N/A
D. Indebtedness of Unconsolidated Subsidiaries and Affiliates	N/A
E. Intangible Assets-Other Assets	N/A
F. Long Term Debt	N/A
G. Indebtedness to Affiliates and Related Parties(Long-Term Loans From Related Companies)	N/A
H. Guarantees of Securities of Other Issuers	N/A
I. Capital Stock	1

Supplementary Annex

M. Aging of Accounts Receivable

ANNEX I

AGGREGATE MARKET VALUE OF VOTING STOCK HELD BY TOP 10 NON-AFFILIATES AS OF DECEMBER 31, 2017

MRC's Top 20 Stockholders as of December 31, 2017 are as follows:

TOP	NAME	TOTAL SHARES	MARKET PRICE TOTAL
1	PCD Nominee Corporation	3,852,327,583	385,232,758.30
2	Pan Asia Securities Corp.	199,540,000	19,954,000.00
3	EMRO Holdings, Inc.	40,833,000	4,083,300.00
4	Philippine TA Sec., Inc.	3,750,000	375,000.00
5	Bayan Financial Brokerage	3,399,500	339,950.00
6	Bougainvillea Corporation	2,429,000	242,900.00
7	Lucky Securities, Inc.	1,878,000	187,800.00
8	William T. Gabaldon	1,850,000	185,000.00
9	Pua Yok Bing	1,000,000	100,000.00
10	Moises Ocampo &/or Josefina Ocampo	915,000	91,500.00
		4,107,922,083*	410,792,208.30

*48.26% of Total Stockholders

ANNEX II

AGING OF ACCOUNTS RECEIVABLE AS OF DECEMBER 31, 2017

MRC Allied, Inc.

Aging of Accounts Receivable

As of December 31, 2017

	Total	1-3 mos	4-6 mos	7 mos to 1 year	1-2 years	3-5 years	Past Due Accts. & Items in Litigation
1) Type of Accounts Receivable:							
a) Trade Receivables	66,405,978.00					66,405,978.00	
Less: Allowance for Doubtful Accounts	(66,405,978.00)					(66,405,978.00)	
Net Trade Receivables	0.00					66,405,978.00	
b) Non- Trade Receivable:							
1. Advances							
Suppliers	13,203,767.15					13,203,767.15	
Officers & Employees	2,383,309.23				1,332,338	1,050,971.23	
2. Others	1,266,666.70					1,266,666.70	
Less: Allowance for Doubtful Accounts	(16,842,277.60)					(16,547,177.60)	
Net Non-Trade Receivables	306,665.18	0.00	0.00	0.00	0.00	0.00	
Net Receivable	306,665.18	0.00	0.00	0.00	0.00		