COVER SHEET

4 0 5 2 4

SEC Registration Number

MACROASIA CORPORATION

AND SUBSIDIARIES

(Company's Full Name)

12F PNB Allied Bank Center,

6754 Ayala Avenue, Makati City

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

Amador T. Sendin

(Contact Person)

840-2001

(Company Telephone Number)

0	6	3	0

Month *Day*

(Calendar Year)

1	7	-	Q

(Form Type)

Month *Day*

(Annual Meeting)

NA

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

857

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

MACROASIA CORPORATION
June 30, 2017

SEC Form 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **June 30, 2017**

2. Commission Identification Number **40524** 3. BIR tax Identification No. **004-666-098-000**

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

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

6. [ ] **(SEC Use Only)**
Industry Classification Code

7. **12th Floor PNB Allied Bank Center, 6754 Ayala Avenue, Makati City**
Address of Issuer's Principal office

1226
Postal Code

8. **(632) 840-2001**
Issuer's telephone number including area code

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

a) Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, ₱1 par value	**1,232,834,000 Outstanding shares**

b) Are any or all of the securities listed on a Stock Exchange?

Yes [**X**] No [ ]

Name of Stock Exchange	Class
Philippine Stock Exchange	**Common Stock**

12. Indicate by check mark whether the registrant:
(a) has filed all reports required to be filed by Section 17 of the Code and RSA Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports);

Yes [✓] No [ ]

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

Yes [✓] No [ ]

MACROASIA CORPORATION AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Second Quarter and Period Ended June 30, 2017

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Our unaudited condensed consolidated financial statements include the accounts of MacroAsia Corporation and its subsidiaries, collectively referred to as the "the Group" or "MacroAsia Group" in this report.

The unaudited condensed consolidated financial statements for the second quarter ended June 30, 2017 have been prepared in accordance with Philippine Accounting Standard 34, *Interim Financial Reporting.* Accordingly, the unaudited condensed consolidated financial statements which are filed as Annex 1 of this report, do not include all the information required by generally accepted accounting principles in the Philippines (Philippine GAAP) for complete financial statements as set forth in the Philippine Financial Reporting Standards (PFRS).

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The main objective of this MD&A is to help the readers understand the dynamics of our Group's businesses and the key factors underlying our financial results. Hence, our MD&A is comprised of discussions about our core business units and our analysis of the results of their operations. This section also focuses on key statistics from the unaudited condensed consolidated financial statements and discusses known risks and uncertainties relating to the aviation industry in the Philippines where we operate during the stated reporting period. However, our MD&A should not be considered all inclusive, as it excludes unknown risks, uncertainties and changes that may occur in the general, economic, political and environmental conditions after the stated reporting period or after the date of this report.

Our MD&A should be read in conjunction with our unaudited condensed consolidated financial statements and the accompanying notes. All financial information is reported in Philippine peso (₱), unless otherwise stated.

Any references in this MD&A to "the Parent Company", "MAC"; or "the Corporation" means MacroAsia Corporation and references to the "MacroAsia Group" or "the Group" means MacroAsia Corporation and its subsidiaries/associates.

Additional information about the Group which includes annual and quarterly reports can be found in our corporate website, *www.macroasiacorp.com*.

BUSINESS OVERVIEW

MacroAsia Corporation

MacroAsia Corporation is a publicly-listed company, incorporated in the Philippines on February 16, 1970, under the name Infanta Mineral and Industrial Corporation to primarily engage in the business of geological exploration and development. On January 26, 1994, its Articles of Incorporation was amended to change its primary purpose from geological exploration and development to that of engaging in the business of a holding company and to change its corporate name to Cobertson Holdings Corporation. On November 6, 1995, the SEC approved the amendment to the Parent Company's Articles of Incorporation to change its name from Cobertson Holdings Corporation to its present name, MacroAsia Corporation. MAC began commercial operations as a holding company under its amended charter in 1996.

MAC, through its subsidiaries and associates, is presently engaged in aviation-related support businesses. It provides in-flight and institutional catering services, airport ground handling services, aircraft maintenance, repairs and overhaul (MRO) services, charter flight services, and operates an economic zone at the Ninoy Aquino International Airport (NAIA). Its subsidiaries and/or associated companies render services directly to airline customers/locators at twenty-three (23) locations all over the country including NAIA, and Manila Domestic Airport (MDA) generating both local and export revenues. A subsidiary of MAC also provides exploratory drilling services for 3rd party clients. Another subsidiary has also revenue-generating activities from water treatment for underground water sources, surface/river water, sea water and gray water, bulk water supply using surface water sources and water distribution in service concession areas outside of Metro Manila.

MAC continues to operate mainly through its five (5) subsidiaries and two (2) associates, as fully discussed below.

MacroAsia Catering Services, Inc.

MacroAsia Catering Services, Inc. (MACS) was incorporated on November 5, 1996, then with a corporate name of MacroAsia-Eurest Catering Services, Inc. (MECS), to primarily provide in-flight catering services in NAIA. When MACS started commercial operations on September 1, 1998, it was a joint venture between MacroAsia Corporation (67%) and two foreign partners: SATS Ltd. (then known as Singapore Airport Terminal Services at 20%) and Compass Group International B.V. (then known as Eurest International B.V., at 13%). By mutual agreement of the three JV partners, a sale and purchase agreement with Compass Group International B.V. was executed on June 28, 2006 whereby MAC acquired the 13% shareholdings of the Compass Group. Since then, MACS continued to operate as a joint venture between MAC (80%) and SATS (20%). In the same year, the Board of Directors of MACS decided to change its company name to MacroAsia Catering Services Inc. On September 14, 2015, MAC signed a deed of absolute sale covering the assignment and transfer of 13% of its stakeholdings to SATS Ltd., thus changing the ownership structure in MACS to 67% MAC and 33% SATS.

MACS' in-flight kitchen facility is situated in a two-hectare lot being leased from the Manila International Airport Authority (MIAA). MACS' inflight operations is under a concession agreement with MIAA that grants the right to operate an in-flight catering service for civil and/or military aircraft operating at the NAIA and/or the Manila Domestic Airport. MACS secures such right by remitting the monthly Concessionaire's Privilege Fee (CPF) which is 7% of its gross income.

MACS consistently complies with both local and international hygiene standards and environmental regulations. Its distinction lies in being the only in-flight airline caterer in the Philippines that holds an ISO certification (certified by Certification International of UK) on top of its HACCP and HALAL certificates conferred by independent and professional certifying organizations. To ensure that high standards are followed at all times, MACS maintains an in-house laboratory manned by microbiologists who are capable of performing advanced testing.

Capturing more than 60% of the in-flight catering market, MACS is the catering service provider to 15 full-service foreign carriers, freighters, VIP flights and General Aviation clients and 4 major airport lounges operating at the NAIA. MACS also has contract with an airline to provide top-up meals and ground feeding in case of flight delays. In May 2017, MACS started catering to the crew meal requirements of a foreign airline.

MACS is also providing food services management and meals to a number of non-airline institutional clients outside NAIA. This business has grown in line with the expansion plans of MACS to go beyond its airline catering portfolio. Because of the significant growth of this business, MACS incorporated MacroAsia SATS Food Industries Corporation on July 14, 2015 as a 100%-owned subsidiary to operate a new food commissary near the East Service Road, Muntinlupa City, to service the food production requirements of institutional clients and to support the inflight kitchen inside NAIA as well. The property for this commissary is leased from MacroAsia Properties Development Corporation.

MACS has been the recipient of several awards and commendations for outstanding service, besting other service providers from all over the world. Last March 2017, Singapore Airlines awarded MACS the SQ Merit Award for catering excellence for fiscal year 2015-2016, a consistent feat for several years now. In 2015, MACS received the Gold Award given by Cathay Pacific on its recently concluded Caterers' Performance Recognition Program (CPRP) for 2014. This is the 3rd award received for 3 consecutive years. In 2013 MACS was given the Gold Award surpassing 46 caterers among the Cathay Pacific network, worldwide and in 2012, MACS bagged the Diamond Award, the highest recognition in Cathay Pacific's CPRP, indicating that MACS is the best among 40 catering stations in the Cathay Pacific network, worldwide. MACS also was recognized by All Nippon Airways (ANA), as the "Gold Award winner for The Best Short Haul Caterer 2013", besting 13 other caterers in ANA's short-haul network two years in a row.

MACS has a wide supplier's base, both local and international and it is not dependent on any single raw material supplier. MACS operates a bonded warehouse facility inside NAIA under a Bonded Warehouse License. Based on its quality standards, regular supplier quality audits (SQA) are conducted by MACS' Quality and Food Safety Department Officers

together with Purchasing and Production Department representatives at the supplier's premises to inspect and verify the compliance to its manufacturing and supply standards.

MacroAsia Airport Services Corporation

MacroAsia Airport Services Corporation (MASCORP) was incorporated on September 12, 1997 to provide, manage, promote and/or service any and all ground handling requirements of military and/or commercial aircraft for passengers and cargo. MASCORP commenced its ground handling operations on April 19, 1999 at the NAIA, and has been generating both domestic and export sales.

On June 15, 1999 the company originally signed a joint venture agreement with Ogden Aviation Philippines B.V. to expand its international resource. Ogden Aviation Philippines B.V. was subsequently acquired by Menzies Aviation Group in 2001. By April 12, 2007, MAC acquired the 30% share of Menzies making MASCORP a wholly-owned subsidiary of MAC.

On July 2, 1999, Airport Specialists' Services Corporation (ASSC), a wholly-owned subsidiary of MASCORP, was incorporated primarily to manage and to promote, service and/or provide manpower support for any and/or all ground handling requirements of private, military and/or commercial aircraft. ASSC commenced operations immediately after its incorporation but had ceased operations shortly thereafter. Toward the end of 2006, MAC acquired MASCORP's 100% ownership in ASSC. The effective ownership of MAC in ASSC was thus increased from 70% to 100%. Through the restructuring, the Company effectively acquired the 30% minority interest of Menzies Aviation Group in ASSC. Consequently, ASSC became a direct subsidiary of MAC.

Through its marketing efforts, coupled with the capability to offer a total aviation services product (in synergy with the catering and MRO business of MAC), and price competitiveness, MASCORP entered into new ventures in 2015. It started providing cargo services for PAL Express in Manila, apron cleaning of Lufthansa Technik Philippines' (LTP) and Philippine Airlines' (PAL) Terminal 2 ramp parking areas and ground support maintenance services for LTP in Manila, Cebu and Davao.

Aside from its current ground handling services to local and foreign clients in Manila for NAIA Terminals 1, 2, & 3, MASCORP is also operating in Cebu, Kalibo, Davao, General Santos, Clark and Tuguegarao. Last March 2017, it started its ground handling in Laoag, Basco, Puerto Prinsesa, Busuanga, Legazpi, Naga, Iloilo, Roxas, Bacolod, Tacloban, Dipolog, Cagayan De Oro, Zamboanga, Cotabato, Butuan and Surigao to handle Philippine Airlines (PAL) and PAL Express (PALex) flights in the said stations.

MASCORP's operations is dependent upon its concession agreements with Manila International Airport Authority (MIAA) for Manila station (Terminal 1, 2 & 3), GMR Megawide Cebu Airport Corporation (GMCAC) for Cebu station, Civil Aviation Authority of the Philippines (CAAP) for Kalibo, Davao, General Santos, and Clark International Airport Corporation (CIAC) for Clark Station. Its concessions agreement with the new stations are currently being processed with CAAP.

MASCORP secures its concessions by regularly paying the monthly Concession Privilege Fee (CPF) which is computed at 7% for MIAA (for Manila Station), GMCAC (Cebu Station), CAAP

(Davao Station) and 4.9% for CIAC (Clark Station) of the monthly gross revenues on both domestic and international services.

MacroAsia Properties Development Corporation

MacroAsia Properties Development Corporation (MAPDC), another wholly-owned subsidiary, was incorporated on June 4, 1996 to primarily engage in the acquisition, development and sale of real properties. After it completed its first infrastructure project in 1997 and following the Asian economic crisis, the company suspended pursuing further property development projects as a core business and refocused its efforts on aviation-support activities.

On August 31, 2000, MAPDC was registered as an Economic Zone (Ecozone) Developer/Operator with the PEZA. As such, it enjoys tax incentives. It re-started commercial operations on the same date, this time as the ecozone developer/operator of the 23-hectare MacroAsia Special Ecozone at the NAIA, with LTP as its anchor locator for the next 25 years. LTP is an associated company of MAPDC as LTP is 49% owned by MAC.

MAPDC has a 25-year lease covering the 23-hectare property occupied by the Ecozone with the Manila International Airport Authority (MIAA). Today, the MacroAsia Special Ecozone is the only operational ecozone at the NAIA.

The MacroAsia Special Ecozone is presently managed by a lean team of core employees. The support services needed to maintain the ecozone are provided by contracted local service providers. Early in 2014, MAPDC acquired a 3-storey building near the East Service Road close to the Sucat Toll area in Muntinlupa City, which will be developed and leased out as the commissary for food services to non-airline clients.

In 2015, MAPDC has entered into 2 long term lease agreements with Mactan Cebu International Airport Authority for a total of 4.3 hectares inside the airport. Also in 2015, LTP assigned its leased area inside the Mactan Cebu International Airport to MAPDC, comprising 2.7-hectares of developed land proximate to MAPDC's new leased areas in the airport. MAPDC is pursuing that 5 hectares of these leased areas be declared as a special ecozone for aviation-related services, an extension of the MacroAsia Special Ecozone.

MAPDC is the subsidiary that serves as a vehicle for the entry of the Group into the water services business (bulk water supply or commercial retail of treated surface water in selected localities). Starting 2012, MAPDC has projects in provinces outside of Metro Manila. One project entails the treatment of surface water from a Magat River in Cagayan Valley, and the piped distribution of the treated water to the homes of residents in the town of Solano, Nueva Vizcaya. To implement this project, MAPDC formed a 100%-owned subsidiary, SNV Resources Development Corp. (SNVRDC) to be the water treatment facility operator and distributor of treated water in the said municipality. Commercial operations started during the first quarter of 2016. In December 2, 2016, MAPDC acquired 67% of Boracay Tubi System, Inc. (BTSI), one of the two water service providers in Boracay Island, Aklan. In 2017, MAPDC started construction activities for the Maragondon, Cavite Bulk Water Project.

MacroAsia Air Taxi Services, Inc.

MacroAsia Air Taxi Services, Inc. (MAATS) is a wholly-owned subsidiary of MAC which was incorporated in June of 1996. MAATS is a licensed, non-scheduled domestic flight operator providing helicopter chartering services from its base at the General Aviation Area, Manila Domestic Airport to any point within the Philippines.

MAATS acquired its Airline Operator Certificate (AOC) from the Civil Aviation Authority of the Philippines (CAAP) and Commercial Permit from the Civil Aeronautics Board (CAB) and has periodically re-validated both permits as required by law. MAATS started commercial operations in October 1996 utilizing its Ecureuil AS350-B2, a 5-passenger rotary aircraft for its flight operations. In August 22, 2016, MAATS suffered the fortuitous unfortunate incident of losing its helicopter and crew in one flight mission hampered by unforeseen weather conditions. The losses affecting the crew's families, as well as the company assets were compensated by the insurance cover of MAATS. This tragic event halted MAATS' charter operations temporarily, and kept the revenue source as solely coming from FBO ground handling services.

Since January 2013, MAATS has added to its service portfolio the provision of services for Fixed-Based Operations (FBO), mainly to support the MRO (maintenance, repair, overhaul) clients of Lufthansa Technik Philippines. FBO work entails the provision of airport solutions or logistical support, facilitating and securing all the necessary permits for a smooth and trouble-free entry and exit of MRO flights. The airport solutions provided by MAATS enhances the marketing of LTP-Manila as an attractive MRO station for foreign airlines.

MacroAsia Mining Corporation

MacroAsia Mining Corporation (MMC), another wholly owned subsidiary of MAC, was incorporated on September 25, 2000 to serve as an institutional vehicle through and under which the business of a mining enterprise may be established, operated and maintained.

MMC is now focused on providing consultancy and mining exploration services, particularly on nickel areas and projects. This 2017, MMC has an exploration and drilling contract for a project in the Dinagat Islands. The contract was intended for three months and was recently extended for another four months, thus, more than doubling the extent and value of the initial contract.

Lufthansa Technik Philippines, Inc. – A Joint Venture with MacroAsia Corporation

Lufthansa Technik Philippines, Inc. (LTP) is a joint venture between MAC (49%) and Lufthansa Technik AG of Germany (51%). It provides a wide range of aircraft maintenance, repairs and overhaul (MRO) services at the NAIA, DMIA, MCIA and Davao International Airport.

Following the signing of the joint venture agreement on July 12, 2000, and its subsequent registration with the Philippine Economic Zone Authority (PEZA) as an economic zone locator on August 30, 2000, LTP started its commercial operations on September 01, 2000. Since then, it has been recognized as an outstanding company that has consistently generated export revenues for the country.

As an ecozone locator, LTP has a 25-year lease contract with MacroAsia Properties Development Corporation (MAPDC). It has technical services agreements with PAL as a base client, as well as with other airlines, including Lufthansa Technik AG of Germany.

LTP also has a concession agreement with MIAA upon which its business operations is highly dependent. The agreement grants LTP the right to operate as a provider of aircraft MRO services at NAIA Terminals 1, 2 and 3. LTP secures such right by yearly renewal of the agreement and paying the monthly CPF (7% of gross revenue).

On February 10, 2012, LTP opened its third aircraft hangar to accommodate maintenance works for the Airbus A380, the world's biggest and most technologically advanced commercial aircraft today.

In 2015, LTP completed its project to expand its existing two hangar bays, thus increasing its service capability for A380 heavy maintenance check, also enabling LTP to enter base maintenance for the B777. The hangar expansion was inaugurated in December 2015 and LTP had the first heavy check in its second A380 hangar in January 2016. In 2016, LTP welcomed its first Asian A380 customer, the South Korean carrier flew to Manila in April and May for C1-checks on two A380s.

Furthermore, the B777 base maintenance capability build-up was completed in the later part of 2016, and its check was scheduled in the 1st quarter of 2017.

LTP continues to have Philippine Airlines (PAL) as its main client for aircraft maintenance, repair and overhaul services in LTP's facility in NAIA. Other global clients include among others – Air China, Air Busan, All Nippon Airways, Gulf Air, Japan Airlines and Korean Air. Other international airlines, including those with non-scheduled flights to Manila also avail of LTP's MRO expertise such as Lufthansa Airlines, Virgin Atlantic Airways, Jetstar Japan, Air Mauritius and Starflyer to name a few.

In a showcase of continuing trust for the current year as of June 2017, five Line Maintenance customers renewed their alliances with LTP, namely Japan Airlines, Jin Air, Oman Air, and Royal Brunei. Moreover, Etihad Airways, KLM Royal Dutch Airlines, Vanilla Air and Xiamen Airlines were added to the client roster of line maintenance. For Base Maintenance, it won contracts with AirAsia X, Asiana Airlines, Jetstar Japan, Thai AirAsia X, VietJet and British Airways. These are in addition to several long term contracts won in the previous year.

Aviation authorities/agencies from the respective countries of origin of these airline clients issue licenses/certificates to LTP for its accreditation to provide MRO services to these client airlines. LTP is certified by 33 airworthiness organizations worldwide as a qualified provider of aircraft MRO services including the Civil Aviation Authority of the Philippines (CAAP), the United States' Federal Aviation Industry (FAA) and European Aviation Safety Agency (EASA).

It also holds an EASA 21 Design organization extension from Lufthansa Technik AG, enabling them to create in-house change/repair designs. The extent of LTP's work/services largely depends on these certifications, which describe/specify that LTP's services must be carried

out in accordance with the respective countries' aviation regulations. These certifications are renewed either annually or every two years.

Cebu Pacific Catering Services, Inc.

Cebu Pacific Catering Services, Inc. (CPCS) is MacroAsia's first in-flight catering venture which started commercial operations in October of 1996. MAC has 40% equity in this joint venture, while its partners - Cathay Pacific Catering Services of Hongkong and MGO Pacific Resources Corporation hold 40% and 20% equity, respectively.

CPCS is the first and presently still the only full-service airline catering company at the MCIA. CPCS is an economic zone locator covering 3,050 sqm in Mactan, Cebu and services both domestic and international airlines.

CPCS owns a two-storey kitchen facility designed to fully meet projected total airline catering demands and to easily accommodate future expansion. The facility is capable of producing up to 3,000 meals a day in accordance with stringent international hygiene standards. The facility was designed and developed by Cathay Pacific Catering Services (HK). With its current portfolio of clients, the facility still has excess capacity to serve the requirements of Mactan Cebu International Airport in the years to come.

CPCS is presently serving an average of 2,000 meals a day, using mostly local raw materials for its menus. It procures its raw materials from the local market and does not have any major raw materials supply contracts. CPCS services Philippine Airlines, Korean Air and Asiana Airlines, Cathay Pacific as well as Cebu Pacific Airlines.

As the only full-service airline catering company in Cebu, CPCS expects to provide most if not all of the catering services for future flights from MCIA to other regional destinations.

KEY PERFORMANCE INDICATORS

(in thousands except for ratios)

June 30, 2017 and 2016

The Group uses major performance measures or indices to track its business results. The analyses are based on comparisons and measurement on financial data of the current period against the same period of the previous year. Among the measures are the following:

Return on Net Sales (RNS)

This ratio measures the amount of income, after all costs and expenses, including taxes are deducted, for every peso of net revenue earned.

			2017	2016
Return on Net Sales	= NI attributable to Equity Holder of Parent / Total Net Revenues	=	₱ 641,354 / 1,432,369	₱ 210,664 / 1,184,331
		=	44.78%	17.79%

Net revenues pertain to the revenues of the subsidiaries of the Group while the net income includes our share in the profits of our associates, LTP and CPCS. The huge increase in consolidated RNS in the first half of 2017 is caused by the profit increases in LTP, MASCORP and MACS. The drivers for increases in the consolidated revenues are MASCORP, MACS and water revenues as a new business segment.

Return on Investment (ROI)

This ratio measures the amount of income earned on invested capital.

			2017	2016
Return on Investment	= NI attributable to Equity holder of Parent / Total Interest-bearing Liabilities + Equity attributable to Equity holder of Parent	=	₱ 641,354 / 4,570,432	₱ 210,664 / 3,386,023
		=	14.03%	6.22%

The ROI had a positive increase mainly due to the rise in the income contribution of LTP and continuous upsurge in the income of other operating subsidiaries. In December 2016, there is an interest-bearing liability availed by the Group amounting to ₱150 million. During the current year, the Group entered into loan contracts amounting to ₱125 million in April and ₱10 million in June.

Return on Equity (ROE)

This KPI is a measure of the owner's return for every peso of invested equity.

			2017	2016
Return on Equity	= NI attributable to Equity holder of Parent / Total equity holder of parent	=	₱ 641,354 / 4,256,298	₱ 210,663 / 3,336,942
		=	15.07%	6.31%

The increase in ROE is an offshoot of the higher net income amounting to ₱641.35 million and ₱ 210.66 million in 2017 and 2016, respectively.

Direct Cost and Operating Expense Ratio

These ratios measure the average rate of direct costs and operating expenses on products/services sold.

			2017	2016
Direct Cost Ratio	=	Total Direct Cost / Total Net Revenues	= ₱ 996,724 / 1,432,369	₱ 831,006 / 1,184,331
			= 69.59%	70.17%

			2017	2016
Operating Expense Ratio	=	Total Operating Expenses / Total Net Revenues	= ₱ 283,661 / 1,432,369	₱ 242,114 / 1,184,331
			= 19.80%	20.44%

The Group's lower direct cost ratio reflects the operating subsidiaries' efforts to control direct expenses even while revenue-generating activities increase. Most of the cost came from the manpower used in line with the revenue growth.

The increase in total operating expenses of the group as compared to the previous year is likewise related to the increase in business activities in MACS and MASCORP in 2017. The rise in operating expenses is driven by higher personnel costs due to more business volume arising from the expanding clientele of the two subsidiaries, and to the geographical expansion of the ground handling business.

Current Ratio

This ratio measures the Group's ability to settle its current obligations.

			2017	2016
Current Ratio	=	Total Current Assets / Total Current Liabilities	= ₱ 1,852,051 / 758,434	₱ 1,387,845 / 441,521
			= 2.44 : 1	3.14 : 1

Although lower than that of the same period last year, the Group still has a healthy current ratio indicating the Group's solid ability to meet its current liabilities, with a large portion (50%) of current assets being held as cash.

Debt-to-Equity Ratio

This ratio indicates the relationship of the Group's debts to the equity of the owners.

			2017	2016
Debt-to-Equity Ratio	= Total Interest-bearing Debts / Total Equity	=	₱ 314,134 / 4,544,023	₱ 49,081 / 3,495,599
		=	0.069 : 1	0.014 : 1

The upward movement in debt-to-equity ratio is due to the new loans obtained by the Group amounting to ₱150 million on December 21, 2016, ₱125 million in April 20, 2017 and ₱10 million on June 19, 2017 to finance its capital investments.

Interest Coverage Ratio

This ratio measures the number of times a company could make the interest payments on its debt with its earnings before interest and taxes.

			2017	2016
Interest Coverage Ratio	= Total Earnings before Interest and Taxes / Interest Expense	=	₱ 741,395 / 3,334	₱ 288,383 / 1,319
		=	222.39 : 1	218.62 : 1

The high ratios show that the Group's operating results, measured through EBIT, is more than sufficient to cover interest payments arising from its debts. The movement in interest expense is parallel to the increase in the outstanding balances of the loans.

Asset-to-Equity Ratio

This ratio measures the company's leverage and long-term solvency.

			2017	2016
Asset-to-Equity Ratio	= Total Assets / Total Equity	=	₱ 5,643,661 / 4,544,023	₱ 4,140,577 / 3,495,599
		=	1.24 : 1	1.18 : 1

The ratios indicate almost parity between total assets and total equity, showing that the Group finances the purchase of assets mostly through equity or internally-generated funds. Minimal debt is drawn to fund growth in the businesses, as most liabilities pertain to current trade-related activities.

MACROASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

In Pesos

	For the period ended		For the quarter ended April - June		For the quarter ended January - March		For the year ended
	June 30, 2017	June 30, 2016	2017	2016	2017	2016	December 31, 2016
NET SERVICE REVENUE							
In-flight and other catering	**801,030,518**	740,391,577	**393,295,828**	400,741,055	**407,734,691**	339,650,522	1,446,366,278
Ground handling and aviation	**460,256,689**	332,947,279	**259,103,140**	165,805,474	**201,153,549**	167,141,806	678,771,599
Rental and administrative	**98,619,292**	93,293,412	**49,309,646**	46,646,706	**49,309,646**	46,646,706	188,796,035
Charter flights	**-**	11,067,633	**-**	8,999,216	**-**	2,068,417	11,775,699
Water	**57,369,125**	3,639,743	**28,219,687**	2,015,378	**29,149,438**	1,624,365	6,256,102
Exploratory drilling fees	**15,093,225**	2,991,504	**10,214,095**	2,991,504	**4,879,130**	-	2,991,504
	1,432,368,850	1,184,331,149	**740,142,396**	627,199,334	**692,226,454**	557,131,815	2,334,957,217
DIRECT COSTS							
In-flight and other catering	**512,513,360**	475,845,310	**252,836,493**	268,662,613	**259,676,867**	207,182,697	916,872,779
Ground handling and aviation	**333,539,415**	244,544,668	**185,888,690**	123,131,425	**147,650,726**	121,413,244	517,701,442
Rental and administrative	**91,450,784**	87,213,506	**45,947,056**	44,139,009	**45,503,728**	43,074,497	177,275,988
Charter flights	**-**	5,892,580	**-**	3,834,061	**-**	2,058,519	10,046,265
Water related expenses	**46,776,101**	6,331,185	**24,380,617**	6,331,185	**22,395,484**	-	19,078,392
Exploratory drilling expense	**12,443,974**	11,179,028	**7,234,054**	5,350,995	**5,209,920**	5,828,033	19,532,386
	996,723,635	831,006,277	**516,286,910**	451,449,287	**480,436,725**	379,556,990	1,660,507,252
GROSS PROFIT	**435,645,215**	353,324,872	**223,855,486**	175,750,047	**211,789,729**	177,574,825	674,449,965
SHARE IN NET EARNINGS OF ASSOCIATES	**576,320,258**	167,587,403	**312,036,671**	94,388,378	**264,283,587**	73,199,025	532,434,774
	1,011,965,474	520,912,275	**535,892,157**	270,138,425	**476,073,317**	250,773,849	1,206,884,739
OPERATING EXPENSES	**(283,660,741)**	(242,113,692)	**(123,581,916)**	(120,587,349)	**(160,078,825)**	(121,526,342)	(713,203,942)
INTEREST INCOME	**1,479,517**	2,983,727	**680,056**	1,112,354	**799,461**	1,871,373	7,012,043
FINANCING CHARGES	**(3,333,688)**	(1,319,109)	**(1,669,132)**	(638,232)	**(1,664,555)**	(680,878)	(3,295,096)
OTHER INCOME - net	**11,610,774**	6,601,112	**56,753**	1,149,931	**11,554,020**	5,451,181	75,143,625
INCOME BEFORE INCOME TAX	**738,061,336**	287,064,313	**411,377,917**	151,175,129	**326,683,418**	135,889,184	572,541,369
PROVISION FOR INCOME TAX							
PROVISION FOR INCOME TAX	**65,214,920**	51,393,694	**39,139,516**	24,909,424	**26,075,404**	26,484,270	132,373,806
NET INCOME	**672,846,416**	235,670,619	**372,238,401**	126,265,705	**300,608,015**	109,404,914	440,167,563
Attributable to:							
Equity holders of the Company	**641,354,050**	210,663,500	**363,138,494**	115,690,965	**278,215,556**	94,972,535	388,954,824
Non-controlling interests	**31,492,366**	25,007,119	**9,099,907**	10,574,740	**22,392,459**	14,432,379	51,212,739
	672,846,416	235,670,619	**372,238,401**	126,265,705	**300,608,015**	109,404,914	440,167,563

RESULTS OF OPERATION

The Group recorded a consolidated net income after tax of ₱672.85 million for the first half of 2017, exhibiting a huge positive variance of ₱437.18 million (+186%) as compared to the consolidated net income after tax of ₱235.67 million during the same period in 2016. The first half 2017 net income results comprise of ₱300.61 million net income in the first quarter (Q1) and ₱372.24 million in the second quarter (Q2). The 2017 second quarter net income reflects a 24% growth in profitability compared to Q1 2017 and a 194% increase over the Q2 2016 net income.

One of the main contributors of the 186% growth in net income for the first half of 2017 is the share in net income from LTP for MRO services amounting to ₱552.66 million in 2017, from ₱151.81 in 2016. The driver for LTP's substantial growth in profitability are the revenues derived from heavy base maintenance for foreign airlines in LTP's NAIA facility, as well as the continuing growth of its line maintenance business in NAIA, Cebu, Clark and Davao. The continuing growth in the food business through MacroAsia Catering Services and Cebu Pacific Catering Services, in which we share 40%, and the expansion of our ground-handling subsidiary, MacroAsia Airport Services, into more airports around the Philippines also contributed to a higher net income this year. Among the subsidiaries, MAPDC remains burdened still with its absorption of rental expenses for the Cebu properties that were leased from MCIAA for development as new aviation services area, with no revenues being derived up to now. Currently two hectares of these leased areas are being developed for aircraft parking to supplement the area being used for MRO purposes.

Revenues from operations for the first half of 2017 amounted to ₱1,432.37 million, which grew by 21% or ₱248.04 million from last year's revenues of ₱1,184.33 million. Fifty six percent (56%) of the total consolidated operating revenues consists of MACS' in-flight and institutional catering revenues of ₱801.03 million. The increase in MACS' revenues amounting to ₱60.64 million is attributable to the higher revenues derived from institutional accounts and more airline meal sales compared to the same period last year. Ground handling and aviation revenues of ₱460.26 million grew by ₱127.31 million or 38% from last year's ₱332.95 million due to more routine flights and revenues arising from the continuous passenger and ramp services for the domestic and international flights of PAL and PAL Express in various airports around the country. Another highlight of the 2017 first half revenues is the 1,476% or ₱53.73 million increase in the revenue of water operations brought mainly by Boracay Tubi (one of two water utility companies in Boracay Island which was acquired by MAPDC in December 2016), as well as the customer growth in SNVRDC (Solano Water) which started commercial operations only last March 2016.

Rental and administrative revenues did not vary significantly with last year since lease rental is being accounted for on a straight-line basis over the lease term, in compliance with Philippine Accounting Standards (PAS) 17. No revenues were derived from chartered flights in 2017 since the operations of the helicopter was halted in August 2016. Today, MAATS is generating income only from fixed-based operations (FBO) services.

Total direct costs for the six-month period amounted to ₱996.73 million, posting an increase of ₱165.72 million or 20% from the same period in 2016. The increase in the

current period is due to the higher labor costs of our ground-handling and catering subsidiary, driven largely by increases in manpower count due to the growth in business volume. Wage increases also impacted on the labor costs. Consolidated operating expenses increased by ₱41.55 million from last year's ₱242.11 million due to productivity-based incentives for employees of the Group, start-up costs of the water related subsidiaries, and higher total rental expenses of MAPDC as leased areas increased.

The movement in interest income of ₱1.5 million pertain to income earned from short-term investments.

Share in net income/loss of associates amounting to ₱576.32 million represents MAC's share in the net operating result of its associated companies (LTP and CPCS). Changes in equity shares from period to period are dependent upon the results of operations of the two associated companies. For the first half of 2017, our MRO business registered profits of ₱1,127.89 million from which we share 49% or ₱552.66 million. In 2016, MAC's share in LTP's income is ₱151.81 million, out of ₱309.81 million. CPCS - our catering associate in Cebu, reflected a 50% increase in its net earnings. MAC booked its 40% net income share in CPCS at ₱23.66 million, compared to last year's ₱15.78 million in the same period.

Since the first half 2017 results of ₱672.85 million as reported indicate an average consolidated net income slightly above ₱100 million per month for the MacroAsia Group, we look at the rest of the year with guarded optimism, considering that prevailing operating indicators point to sustainability and stability in the operations of our business units. While seasonality and the cyclical nature of the airline businesses are inherent in the months ahead, we continue to remain steadfast and resilient in our core businesses, as we keep our eyes open for new business opportunities, even outside the traditional markets where we operate.

FINANCIAL POSITION

At the consolidated level as of June 30, 2017, our total assets stood at ₱5.64 billion, posting a ₱904.43 million increase from last year-end's level of ₱4.74 billion. Cash and cash equivalents of ₱926.76 million increased by ₱367.07 million or 66%, which is caused by the dividends received from LTP amounting to ₱368.68 million in March 2017. The Group sees no liquidity issues in 2017, as the cash balances of the operating subsidiaries continue to increase from robust operating cash inflows. The operations of the investments in SNV and BTSI will also help the cash inflows for 2017.

Receivables grew by ₱177.66 million or 31% due to trade and non-trade related additions in our current operations. These are expected to be collected within the year. Inventories of ₱51.66 million were maintained in line with forecasted inventory level requirements. Other current assets of ₱120 million represents input taxes, creditable withholding and prepaid taxes and unamortized prepayments for insurance covers, rent, utilities and unconsumed supplies as of June 30, 2017.

Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. Movements in the account are contributed by the share in cumulative translation adjustments for LTP due to foreign exchange fluctuations, share in

re-measurement gains and losses on defined benefit plans due to the revised PAS19, share in cash dividends declared during the current period, and the incremental equity share in net earnings/loss of the associated companies. The Group recorded an increase of 17% or ₱264.34 million in this investment account, from ₱1.54 billion in 2016 year-end to ₱1.81 billion as of June 30, 2017.

The group's property and equipment of ₱814.66 million increased by ₱28.05 million from last year's ₱786.61 million due to new acquisitions made by our catering, ground handling and pre-operating companies. Deferred mine exploration costs of ₱20.42 million remained the same. Investment property of ₱149.97 million pertains to land held for future development by MAPDC.

Accrued rental receivable and payable are recorded in the books of the Group in compliance with PAS 17 which requires the straight-line recognition of operating lease income and expense over the term of the lease. Deferred rent expense and unearned rent income are equal in amount as of year-end. These four accounts will be nil after the termination of the lease and sub-lease arrangement of MAPDC with MIAA and LTP. The accrued rental payable is increased this year pertaining to the accrual of rent payable to the MCIAA.

Available-for-sale debt and equity investments amounting to ₱106.83 million represent the remaining investment in government treasury bonds and golf club shares held by the Parent Company.

The carrying amount of deferred income tax assets of ₱27.68 million as of June 30, 2017, did not change significantly from the prior year-end. The DTA mostly came from the allowances on probable losses and doubtful accounts. Deposits and other noncurrent assets amounting to ₱280.09 million increased by 25% or ₱56 million mainly due to the increase in input taxes of the catering subsidiary and increase in advances to suppliers by the ground handling subsidiary which pertains to the down payment made to suppliers for contracted projects which are pending completion. Other noncurrent assets account also include deferred project costs, rental and refundable deposits, advances to contractors, restricted investment of ₱11.60 million, prepaid rental and retirement assets. The goodwill recognized by the Group amounting to ₱167.53 million resulted from the Company's acquisition of a non-controlling interest (13%) from a previous stockholder of MACS in 2006 and the purchase by MAPDC of 67% of BTSI in 2016. Service concession right amounting to ₱302.51 million pertains to incurred construction costs in relation to the construction of water treatment plant and pipe laying activities of SNVRDC. This asset was accounted for in accordance to IFRIC 12, Service Concession Arrangements, under the intangible asset model as SNVRDC received the right to charge users of the public service.

Accounts payable and accrued liabilities increased by ₱148.91 million or 39% as of June 30, 2017. Notes payable of ₱177.60 million refers to the loan availed from a local bank last 2013 that was used by our ground-handling subsidiary to finance its asset acquisition, loan obtained by the Parent Company in December 2016 related to the acquisition of BTSI, additional loans drawn by MSFI amounting to ₱125 million in April and by BTSI amounting to ₱10 million in June this year. Accrued retirement benefits payable of ₱9.85 million and other long term employee benefits amounting to ₱3.73 million is accounted for based on

the latest actuarial valuation of the Group. Deferred tax liabilities of ₱36.58 million remained at the same level as prior year's ending balance. Dividends payable of ₱8.62 million shows the remaining outstanding checks payable by the Parent Company for the cash dividends declared to MAC shareholders.

The Group's other reserves pertain to MAC's gain on the sale of 13% of MACS shares of stock to SATS and the sale of 49% of WBSI shares to MetroPac Water Investments Corporation (MWIC), net of taxes paid. This is accounted for in accordance with International GAAP 2015 on sale of shares of stock without loss of control. Other components of equity pertain to Available For Sale (AFS) investments reserve amounting to ₱12.05 million, the Parent Company's share in foreign currency translation adjustments of LTP in the amount of ₱2.34 million which changes in accordance with US$ exchange rate fluctuations during the period covered, MAC's share in re-measurements of defined benefit plan of associates, and re-measurements of defined benefit plans of subsidiaries.

Movement in the "non-controlling interests" depends on the results of operations of MACS, and BTSI and WBSI, subsidiaries of MAPDC with JV partners. This account reflects the 33% equity share of SATS (JV Partner of MAC) in the catering JV, 33% share of minority shareholders in BTSI and 49% share of MWIC in WBSI. As of June 30, 2017, non-controlling interests amounted to ₱287.73 million.

MacroAsia Corporation's Mining Projects

Macroasia Corporation holds two Mineral Production Sharing Agreements (MPSAs), MPSA-220-2005-IVB and MPSA-221-2005-IVB, both located in Brooke's Point, Palawan. MPSA-220 or the Infanta Nickel Project covers a total land area of 1,114 hectares with nickel in the form of laterite ore as the primary commodity. This area was the source of ore shipped by the Company to Japan in the 1970's.

The total extent of the laterite area explored within the MPSA is around 536 hectares with the deposit composed of limonite and saprolite ores. Within this delineated nickel ore envelope, 2,754 drill holes were done, resulting into 48,568.7 meters drilled. There were also 482 test pits that were dug, yielding 2,550.8 meters more for sampling. The resulting samples collected numbered 52,284, and these were analyzed for nickel (Ni), iron (Fe) and 12 other elements/oxides, including the loss in ignition (LOI), using fused bead done under X-Ray Fluorescence (XRF) technique at Intertek Laboratories. The Parent Company has completed an exploration report that is compliant to the Philippine Mineral Reporting Code (PMRC). A mining plan and a pre-feasibility study have also been drafted.

The operation of the Mining Project has been endorsed by three beneficiary barangays, including the indigenous people in the area. In 2010, the Parent company has received the Environmental Compliance Certificate (ECC) for operations and is now presently in the process of renewing the ECC under a revised Environmental Impact Assessment (EIA) Report, as this ECC lapsed in 2015. The Certificate of Pre-condition (CP) is yet to be released by the National Commission of the Indigenous People (NCIP) due to ongoing legal issues. The permit under the Special Environmental Plan (SEP) of the Palawan Council for Sustainable Development (PCSD) is adjunct to the CP under NCIP and that of the ECC under the Special Environmental Bureau (EMB).

To date several companies have signed non-disclosure agreements (NDA) with MAC to evaluate the resource of Infanta Nickel Project and submit their proposal for the operation of the mining property. Pending the completion of the permitting process that will enable the project to progress into mine operation, maintenance works in the mineral property are being undertaken since 2012. The second extension of the exploration period of the MPSA 220-2005-IVB was approved by the Mines and Geosciences Bureau (MGB) of the Department of Environment and Natural Resources (DENR) on December 5, 2012. The extended exploration period allowed MacroAsia Corporation to gather more exploration data to fine-tune the feasibility study for operations and eventual metallurgical testing of the nickel laterite ore. Additional exploration drilling was conducted in the priority mining area on the 3rd quarter of 2013 in accordance to the approved Exploration Work Program but the work program was disrupted by the local NGO and LGU of Brooke's Point, Palawan and is currently under legal dispute. After consultation with the MGB, an application for the third extension of the exploration permit of MPSA 220-2005- IVB was filed on 20 March 2015. On December 15, 2016, MGB Region 4B approved the Order of Survey of MPSA 220-2005-IVB of the Infanta Nickel Project. The document serves as an assurance of the tenements being excised from the area limits of Mount Mantalingahan Protected Landscape (MMPL).

On February 13, 2017, MGB issued a certification confirming the validity of the MPSAs of the Company. However, on February 14, 2017, the Secretary of the Department of Environment and Natural Resources (DENR) announced the cancellation of 75 MPSAs (including MAC's) allegedly located at/in watersheds all over the country. On February 17, 2017, the Company received a "show cause" notice from the DENR requesting the Company to provide reasons why the MPSAs should not be cancelled. On February 21, 2017, the Company responded to DENR stating that MAC's MPSAs are not located on declared watersheds. As of date, the Company has not received any notice from the DENR or MGB for the cancellation of the MPSAs.

Bulawan Mining Corporation (BUMICO), a subsidiary of the Philippine National Bank (PNB), transferred its right for their Exploration Permit Application (EXPA 103-VII) over a 506-hectare area in Basay, Negros to MAC through the signing of a Deed of Assignment (DOA) on August 15, 2012. The DOA has been approved by Mines and Geosciences Bureau (MGB) Region VII Office on January 28, 2013. The area has a high potential for copper-gold molybdenum–silver mineralization. Several copper and gold mining companies have shown interest in the area.

BUMICO also transferred its interests in the Bulawan Mining Project with an Operating Agreement with Philex Mining Corporation (PMC) to MAC through a Deed of Assignment (DOA) signed on September 6, 2012. The DOA was finalized after securing the written consent of Philex.

In Northern Leyte, two exploration permit applications are being maintained by MacroAsia Mining Corporation and both are adjacent to the geothermal reservation of Tongonan: the Carigara property denominated as EXPA 0091-VIII-2007 covers 7,771.8 hectares which is situated immediately north of the Tongonan Geothermal Field and the Baybay property is

at the southern extreme of the geothermal reservation denominated as EXPA 0092-VIII-2007 and covers an area of 7,488.5 hectares.

NUMBER OF STOCKHOLDERS

The number of stockholders as of June 30, 2017 and December 31, 2016 are 857 and 860, respectively.

OTHER MATTERS

1. Passenger loads and flight frequencies of airlines are the two most important factors that affect the revenue levels of the Group's operating units that are involved in catering and ground handling. The Group constantly monitors these two factors that directly impact on revenues and costs.

2. Management is not aware of any known trends or any known demands, commitments, events or uncertainties that may or will have a material negative impact on the Group's liquidity.

3. The Group is not aware of any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

4. Management does not anticipate having within the next twelve (12) months cash flow or liquidity problems. The Group generally sources its liquidity requirements through its operating revenues and collections. Excess cash are invested in placements with better yields.

5. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

6. Other than those approved for the completion of a new non-airline catering facility near the East Service Road, Muntinlupa City, a municipal water project in Pangasinan, water projects in Cavite, and water project expansion in Boracay Island, there are no material commitments for capital expenditures created during the reporting period.

7. There have been no significant elements of income or loss that did not arise from the Group's continuing normal operations that are not disclosed in the consolidated interim financial statements.

8. The Group is not aware of any future event that will cause a material change in the relationship, vertical and horizontal analyses, of any material item from period to period.

9. The Group is not aware of any seasonal aspects that have material effect during the reporting period.

10. The Group has not issued, repurchased or repaid any debt or equity securities during the current interim reporting period.

11. No material events have occurred subsequent to the end of the current interim period that should be reflected in the financial statements for the interim period.

SIGNATURES

Pursuant to the requirement of Sec 17 of the Code and Sec 141 of the Corporation Code of the Philippines, this report has been reviewed by the Audit Committee of MacroAsia Corporation on August 10, 2017, and is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on August 10, 2017.

MACROASIA CORPORATION
Registrant

By:

JOSEPH T. CHUA
President

AMADOR T. SENDIN
Chief Financial Officer

Annex 1

MACROASIA CORPORATION AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements

June 30, 2017 and 2016 (Unaudited)

and

December 31, 2016 (Audited)

GENERAL INFORMATION

Directors (as of June 30, 2017)

Lucio C. Tan	(Chairman and CEO)
Washington Z. SyCip	(Co-Chairman)
Carmen K. Tan	
Lucio K. Tan, Jr.	
Michael G. Tan	
Joseph T. Chua	(President and COO)
Jaime J. Bautista	(Treasurer)
Stewart C. Lim	
Johnip G. Cua	(Independent Director)
Ben C. Tiu	(Independent Director)
Marixi R. Prieto	(Independent Director)

Chief Financial Officer and VP-Administration and Business Development
Amador T. Sendin

VP-Legal, Human Resources and External Relations, Compliance Officer and CIO
Atty. Marivic T. Moya

Corporate Secretary
Atty. Florentino M. Herrera III

Stock and Transfer Agent
Trust Banking Group
Philippine National Bank (formerly Allied Banking Corporation)
3rd Floor, PNB Financial Center
Pres. Diosdado Macapagal Blvd.,Pasay City

Banks

Philippine National Bank (formerly Allied Banking Corporation)
6754 Ayala Avenue, Makati City

Philippine Bank of Communications
565-567 Sto. Cristo, Binondo Manila

Banco de Oro Universal Bank
EPC Building, Paseo de Roxas cor.
Gil Puyat Ave., Makati City

Unionbank of the Philippines
Tektite Building, Ortigas Center, Pasig City

Asia United Bank
G/F Morning Star Center Building,
Gil Puyat Avenue, Makati City

China Banking Corporation
8745 Paseo de Roxas corner Villar St. Makati City

Auditors
SyCip Gorres Velayo & Co.
6760 Ayala Avenue, Makati City

MACROASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	Unaudited June 30, 2017	Audited December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	**926,761,368**	559,691,049
Receivables	**753,629,259**	575,968,475
Inventories	**51,663,375**	51,934,575
Input taxes and other current assets	**119,996,812**	112,620,001
Total Current Assets	**1,852,050,814**	1,300,214,100
Noncurrent Assets		
Available-for-sale (AFS) investments	**106,825,300**	106,825,300
Investments in associates	**1,805,507,574**	1,541,169,118
Property, plant and equipment	**814,657,482**	786,610,777
Investment property	**149,972,488**	143,852,303
Service concession right	**302,514,025**	310,113,300
Accrued rental receivable	**116,410,929**	116,110,799
Deferred mine exploration costs	**20,418,948**	20,418,948
Deferred income tax assets - net	**27,682,373**	22,292,744
Goodwill	**167,532,279**	167,532,279
Deposits and other noncurrent assets	**280,088,719**	224,093,358
Total Noncurrent Assets	**3,791,610,116**	3,439,018,926
TOTAL ASSETS	**5,643,660,930**	4,739,233,026
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	**526,800,130**	377,892,864
Income tax payable	**45,408,948**	35,490,102
Dividends payable	**8,620,761**	107,293,081
Notes payable - current portion	**177,603,851**	169,100,518
Total Current Liabilities	**758,433,691**	689,776,565
Noncurrent Liabilities		
Notes payable - net of current portion	**136,529,703**	20,118,653
Accrued rental payable	**135,408,300**	134,226,152
Accrued retirement benefits payable	**9,847,077**	10,947,803
Other employee benefits	**3,729,890**	11,602,083
Deferred income tax liabilities	**36,582,579**	36,228,686
Other noncurrent liabilities	**19,106,496**	16,088,183
Total Noncurrent Liabilities	**341,204,045**	229,211,560
Total Liabilities	**1,099,637,736**	918,988,125

	Unaudited June 30, 2017	Audited December 31, 2016
Equity attributable to equity holders of the Company		
Capital stock - 1 par value:	**1,250,000,000**	1,250,000,000
Additional paid-in capital	**281,437,118**	281,437,118
Other reserves	**143,299,677**	143,299,677
Other components of equity	**(7,498,071)**	(61,882,093)
Retained earnings:	**-**	
Appropriated	**983,100,000**	983,100,000
Unappropriated	**1,658,830,083**	1,017,476,033
Treasury shares at cost:		
17,166,000 shares	**(52,870,805)**	-
16,599,000 shares	**-**	(49,418,660)
	4,256,298,002	3,564,012,075
Non-controlling interests	**287,725,192**	256,232,826
Total Equity	**4,544,023,194**	3,820,244,901
TOTAL LIABILITIES AND EQUITY	**5,643,660,930**	4,739,233,026

MACROASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
For the period ended June 30

	APRIL - JUNE		JANUARY - JUNE	
	2017 Unaudited	2016 Unaudited	2017 Unaudited	2016 Unaudited
NET SERVICE REVENUE				
In-flight and other catering	₱ 393,295,828	₱ 400,741,055	₱ 801,030,518	₱ 740,391,577
Ground handling and aviation	259,103,140	165,805,474	460,256,689	332,947,279
Rental and administrative	49,309,646	46,646,706	98,619,292	93,293,412
Charter flights	-	8,999,216	-	11,067,633
Water	28,219,687	2,015,378	57,369,125	3,639,743
Exploratory drilling fees	10,214,095	2,991,504	15,093,225	2,991,504
	₱ 740,142,396	₱ 627,199,334	₱ 1,432,368,850	₱ 1,184,331,149
DIRECT COSTS				
In-flight and other catering	252,836,493	268,662,613	512,513,360	475,845,310
Ground handling and aviation	185,888,690	123,131,425	333,539,415	244,544,668
Rental and administrative	45,947,056	44,139,009	91,450,784	87,213,506
Charter flights	-	3,834,061	-	5,892,580
Water related expenses	24,380,617	6,331,185	46,776,101	6,331,185
Exploratory drilling expense	7,234,054	5,350,995	12,443,974	11,179,028
	₱ 516,286,910	₱ 451,449,287	₱ 996,723,635	₱ 831,006,277
GROSS PROFIT	223,855,486	175,750,047	435,645,215	353,324,872
SHARE IN NET EARNINGS OF ASSOCIATES	312,036,671	94,388,378	576,320,258	167,587,403
	₱ 535,892,157	₱ 270,138,425	₱ 1,011,965,474	₱ 520,912,275
OPERATING EXPENSES	(123,581,916)	(120,587,349)	(283,660,741)	(242,113,692)
INTEREST INCOME	680,056	1,112,354	1,479,517	2,983,727
FINANCING CHARGES	(1,669,132)	(638,232)	(3,333,688)	(1,319,109)
OTHER INCOME - net	56,753	1,149,931	11,610,774	6,601,112
INCOME BEFORE INCOME TAX	₱ 411,377,917	₱ 151,175,129	₱ 738,061,336	₱ 287,064,313
PROVISION FOR INCOME TAX	39,139,516	24,909,424	65,214,920	51,393,694
NET INCOME	₱ 372,238,401	₱ 126,265,705	₱ 672,846,416	₱ 235,670,619
Attributable to:				
Equity holders of the Company	₱ 363,138,494	₱ 115,690,965	₱ 641,354,050	₱ 210,663,500
Non-controlling interests	9,099,907	10,574,740	31,492,366	25,007,119
	₱ 372,238,401	₱ 126,265,705	₱ 672,846,416	₱ 235,670,619
Basic/Diluted Earnings Per Share	0.29	0.09	0.52	0.17

MACROASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	APRIL - JUNE		JANUARY - JUNE	
	2017 Unaudited	2016 Unaudited	2017 Unaudited	2016 Unaudited
NET INCOME (LOSS)	₱ **372,238,401**	₱ 126,265,705	₱ **672,846,416**	₱ 235,670,618
OTHER COMPREHENSIVE INCOME (LOSS) - Net				
Net foreign currency translation adjustments	**(93,841,423)**	(43,052,799)	**54,384,022**	(43,548,213)
Total Comprehensive Income (Loss)	**278,396,978**	83,212,906	**727,230,438**	192,122,405
Attributable to:				
Equity holders of the parent	₱ **269,297,071**	₱ 72,638,166	₱ **695,738,072**	₱ 167,115,287
Non-controlling interests	**9,099,907**	10,574,740	**31,492,366**	25,007,119
	₱ **278,396,978**	₱ 83,212,906	₱ **727,230,438**	₱ 192,122,405

MACROASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the period ended June 30	
	2017 Unaudited	2016 Unadudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	738,061,336	287,064,313
Adjustments for:		
Equity in net income of associates	(576,320,258)	(167,587,403)
Depreciation and amortization	66,569,568	44,631,568
Interest income	(1,479,517)	(2,983,727)
Unrealized foreign exchange gain - net	(738,646)	(3,285,855)
Provision for losses	-	13,521,734
Movements in accrued retirement benefits payable	1,100,726	7,399,590
Financing charges	3,333,688	1,319,109
Gain on sale of asset	-	(78)
Operating income before working capital changes	230,526,896	180,079,251
Decrease (increase) in:		
Receivables	(177,660,784)	(149,438,233)
Inventories	271,200	3,102,695
Other current and non-current assets	(7,676,941)	(32,039,164)
Increase (decrease) in:		
Notes payable-current	8,503,333	-
Accounts payable and accrued liabilities	148,907,266	9,456,860
Accrued rental payable and other non-current liabiities	(3,671,733)	-
Cash generated from (used in) operations	199,199,238	11,161,409
Interest received	1,445,579	2,980,948
Financing charges paid	(1,664,555)	(1,319,109)
Contributions to retirement fund	(1,100,726)	(4,999,590)
Income taxes paid , including creditable witholding taxes	(60,331,810)	(47,265,583)
Net cash from (used in) operating activities	137,547,726	(39,441,925)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	-	88
Acquisitions of property and equipment	(87,016,998)	(96,616,479)
Acquisitions of investment property	(6,120,185)	-
Investment in subsidiary	-	(10,000,000)
Dividends received	368,676,000	59,211,320
Increase in refundable deposits and other noncurrent assets	(55,995,361)	4,014,596
Net cash from (used in) investing activities	219,543,457	(43,390,475)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(98,672,320)	(92,505,300)
Proceeds from availment of notes payable	134,896,820	
Payments of notes payable	(9,982,436)	(12,852,505)
Acquisition of treasury shares	(3,452,145)	-
Net cash from (used in) financing activities	22,789,918	(105,357,805)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(12,810,782)	(596,136)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	367,070,319	(188,786,342)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	559,691,049	693,325,827
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	926,761,368	504,539,485

MACROASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousand Pesos)

		Attributable to the Equity Holders of the Parent													
										Retained Earnings					
		Capital Stock	Additional Paid-in Capital	Share in Foreign Currency Translation Adjusment of an Associate	Remeasurements on Defined Benefit Plan	Share in Remeasurements on Defined Benefit Plan of Associates	Other Reserves	AFS Investments Reserve	Treasury Shares	Appropriated	Unappropriated	Subtotal	Non-controlling Interest		Total
BALANCES AT DECEMBER 31, 2015	**₱**	**1,250,000**	**281,437**	**(128,844)**	**24,938**	**(79,896)**	**143,300**	**11,216**	**(49,419)**	**873,100**	**837,194**	**3,163,026**	**133,649**	**₱**	**3,296,676**
Total comprehensive income (loss)			-	(43,548)	-	-	-	-	-	-	210,664	167,115	25,007		192,122
BALANCES AT JUNE 30, 2016	**₱**	**1,250,000**	**281,437**	**(172,392)**	**24,938**	**(79,896)**	**143,300**	**11,216**	**(49,419)**	**873,100**	**1,047,857**	**3,330,142**	**158,657**	**₱**	**3,488,798**
BALANCES AT DECEMBER 31, 2016	**₱**	**1,250,000**	**281,437**	**(52,042)**	**28,932**	**(50,827)**	**143,300**	**12,054**	**(49,419)**	**983,100**	**1,017,476**	**3,564,012**	**256,233**	**₱**	**3,820,245**
Total comprehensive income (loss)			-	54,384	-	-	-	-	**(3,452)**	-	641,354	692,286	31,492		723,778
BALANCES AT JUNE 30, 2017	**₱**	**1,250,000**	**281,437**	**2,342**	**28,932**	**(50,827)**	**143,300**	**12,054**	**(52,871)**	**983,100**	**1,658,830**	**4,256,298**	**287,725**	**₱**	**4,544,023**

SUMMARIZED INCOME STATEMENT INFORMATION FOR UNCONSOLIDATED SUBSIDIARY

LUFTHANSA TECHNIK PHILIPPINES, INC.
SUMMARIZED INTERIM STATEMENTS OF INCOME
in PHP

	January to June	
	2017 Unaudited	2016 Unaudited
REVENUE	₱ 7,147,877,078	₱ 4,212,900,513
LESS: COST OF SALES	3,327,429,699	1,773,114,595
GROSS PROFIT	3,820,447,379	2,439,785,918
LESS: OPERATING EXPENSES	2,903,770,345	2,068,131,025
INCOME FROM OPERATIONS	916,677,034	371,654,893
LESS/ (ADD): OTHER CHARGES/(INCOME)	(281,748,073)	17,854,079
INCOME BEFORE INCOME TAX	1,198,425,107	353,800,814
LESS: PROVISION FOR INCOME TAX	70,538,767	43,992,244
NET INCOME	₱ 1,127,886,339	₱ 309,808,571
EQUITY SHARE IN NET INCOME (49%)	₱ 552,664,306	₱ 151,806,200

SUMMARIZED INCOME STATEMENT INFORMATION FOR UNCONSOLIDATED SUBSIDIARY

CEBU PACIFIC CATERING SERVICES
SUMMARIZED STATEMENTS OF INCOME
in PHP

		January to June		
		2017 Unaudited		2016 Unaudited
REVENUE	₱	**162,563,460**	₱	109,568,903
LESS: COST OF SALES		**92,937,875**		61,982,953
GROSS PROFIT		**69,625,585**		47,585,950
LESS: OPERATING EXPENSES		**7,214,328**		5,706,320
INCOME FROM OPERATIONS		**62,411,257**		41,879,630
LESS/ (ADD): OTHER CHARGES/(INCOME)		**(315,431)**		(17,756)
INCOME BEFORE INCOME TAX		**62,726,688**		41,897,386
LESS: PROVISION FOR INCOME TAX		**3,586,808**		2,444,378
NET INCOME	₱	**59,139,880**	₱	39,453,008
EQUITY SHARE IN NET INCOME (40%)	₱	**23,655,952**	₱	15,781,203

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Business Operations

Corporate Information

MacroAsia Corporation (the Parent Company or MAC), a publicly-listed corporation, was incorporated in the Philippines on February 16, 1970 under the name Infanta Mineral & Industrial Corporation to engage in the business of geological exploration and development. On January 26, 1994, its Articles of Incorporation was amended to change its primary purpose from exploration and development to that of engaging in the business of a holding company, and change its corporate name to Cobertson Holdings Corporation. On November 6, 1995, the Parent Company's Articles of Incorporation was again amended to change its corporate name to its present name. Its registered office address is at 12th Floor, PNB Allied Bank Center, 6754 Ayala Avenue, Makati City.

Business Operations

The principal activities of the Parent Company and its subsidiaries (collectively referred to as the "MacroAsia Group", "the Group") are described in Note 4. The Parent Company, through its subsidiaries and associates, is presently engaged in aviation-support businesses at the Ninoy Aquino International Airport (NAIA), Manila Domestic Airport (MDA), Mactan-Cebu International Airport (MCIA), Kalibo International Airport (KIA), Davao International Airport, General Santos International Airport, Clark International Airport (CIA), Tuguegarao Airport, Laoag International Airport, Basco Airport Terminal, Puerto Princesa International Airport, Francisco B. Reyes (Busuanga) Airport, Legazpi Airport, Naga Airport, Iloilo International Airport, Roxas Airport, Bacolod-Silay International Airport, Daniel Z. Romualdez (Tacloban Airport), Dipolog Airport, Laguindingan (Cagayan de Oro) Airport, Zamboanga International Airport, Bancasi (Butuan) Airport, Cotabato Airport, Surigao Airport and the General Aviation Area. It provides in-flight catering services, ground handling services for passenger and cargo aircraft, and helicopter charter flight services. It also operates/develops the sole economic zone within the NAIA.

Through MacroAsia Catering Services, Inc. (MACS), the Parent Company, is now providing the food requirements of some passenger terminal lounges in NAIA. It has also ventured into the provision of the food service requirements of non-airline institutional clients outside the airport. Further, considering the expertise of staff gained through the exploration of the Parent Company's Infanta Nickel Project in Palawan, the Parent Company provided nickel exploration services for other mining companies, through MacroAsia Mining Corporation (MMC). Through MacroAsia Properties Development Corporation (MAPDC), the Parent Company started pursuing projects related to reclaimed water supply, bulk water supply using surface water sources, and water distribution in areas outside of Metro Manila.

Through Lufthansa Technik Philippines, Inc. (LTP), an associate, which has a maintenance, repairs and overhaul facility in the Philippines, the Parent Company

provides globally competitive heavy maintenance and engineering services for specific models of Airbus and Boeing aircraft for airline clients all over the world.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) investments, which are carried at fair value. The interim condensed consolidated financial statements are presented in Philippine peso (₱), the Parent Company's functional and presentation currency. Amounts are rounded to the nearest thousands unless otherwise indicated.

Statement of Compliance

The interim condensed consolidated financial statements for the period ended March 31, 2017 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. This does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2016.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the previous years, except for the adoption of the following amendments to existing standards effective beginning January 1, 2016. Except as otherwise indicated, the new standards and amendments have no significant impact on the annual consolidated financial statements of the Group or the condensed interim consolidated financial statements of the Group.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities,* and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*, clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method. The Group continues to measure its investments in associate through equity method.

- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*, allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change

retrospectively. These amendments do not have any impact on the Group's consolidated financial statements.

- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*, require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by
  PFRS 3), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. These amendments do not have any impact to the Group.

- PFRS 14, *Regulatory Deferral Accounts*, is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing PFRS preparer, this standard would not apply.

- Amendments to PAS 1, *Presentation of Financial Statements - Disclosure Initiative*, are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

  a. That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  b. That specific line items in the statement of income and other comprehensive income (OCI) and the statement of financial position may be disaggregated
  c. That entities have flexibility as to the order in which they present the notes to financial statements
  d. That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

The Group considered the amendments in the preparation of the 2016 consolidated financial statements.

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*, clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. These amendments do not have any impact to the Group, given that the Group has not used a revenue-based method to depreciate or amortize its noncurrent assets.

- Amendments to PAS 16 and PAS 41, *Agriculture - Bearer Plants*, change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments do not have any impact on the Group as the Group does not have any bearer plants.

Annual Improvements to PFRS (2012 - 2014 cycle)
The Group does not expect these amendments to have a significant impact on the consolidated financial statements.

- Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*, is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- Amendment to PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*, requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided

for any period beginning before the annual period in which the entity first applies the amendments.

- Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*, is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- Amendment to PAS 19, *Employee Benefits - Discount Rate: Regional Market Issue*, is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

  Amendment to PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*, is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

New Accounting Standards, Amendments to
Existing Standards and Interpretations Effective Subsequent to December 31, 2016
The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2016 are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Effective in 2017

- Amendments to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRS* 2014 - 2016 Cycle), clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments do not have any impact on the Group's financial position and results of operation. The Group will include the required disclosures in its 2017 consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative*, require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses*, clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

Effective in 2018

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

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

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

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

- Amendments to PFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions*, address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted. The amendments are not applicable to the Group as it does not have any share-based compensation plan for its officers and employees.

- Amendments to PFRS 4, *Insurance Contracts - Applying PFRS 9, Financial Instruments, with PFRS 4*, address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9. The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRS* 2014 - 2016 Cycle), clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and
  (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property*, clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation based on International Financial Reporting Interpretations Committee (IFRIC) 22, *Foreign Currency Transactions and Advance Consideration*, clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or nonmonetary liability arising from advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective in 2019

- PFRS 16, *Leases*, will no longer require lessees to classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

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

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

modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting this standard.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The Group does not expect that these amendments will have material impact in future financial statements.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company, its direct subsidiaries, the subsidiaries of MAPDC, MACS and Boracay Tubi Systems Inc. (BTSI) and the subsidiary of Watergy Business Solutions, Inc. (WBSI), which were all incorporated in the Philippines and are registered with the Philippine Securities and Exchange Commission (SEC) as of March 31, 2017 (unaudited) and December 31, 2016 (audited).

		Percentage of Direct Ownership by MAPDC/MACS/ WBSI/BTSI		Percentage of Ownership by MAC			
				2017		2016	
	Nature of business	**2017**	2016	**Direct**	**Indirect[2]**	Direct	Indirect[2]
MAPDC	Economic Zone (Ecozone) developer/operator and water supply	**–**	–	**100**	**–**	100	–
MacroAsia Airport Services Corporation (MASCORP)	Groundhandling aviation services	**–**	–	**100**	**–**	100	–
MacroAsia Air Taxi Services, Inc. (MAATS)	Helicopter chartering services	**–**	–	**100**	**–**	100	–
Airport Specialists' Services Corporation (ASSC)[1]	Manpower services	**–**	–	**100**	**–**	100	–
MMC	Mine exploration, development and operation	**–**	–	**100**	**–**	100	–
MACS	In-flight and other catering services	**–**	–	**67[3]**	**–**	67[3]	–
MacroAsia SATS Food Industries (MSFI)	Meal production and food processing	**67**	67	**–**	**67[a]**	–	67[a]
MacroAsia SATS Inflight Services Corporation (MSISC)	Meal production and food processing	**67**	–	**–**	**67[a]**	–	–
BTSI	Water treatment and distribution	**67[5]**	–	–	**67[5], [b]**	–	–
MONAD Water and Sewerage Systems, Inc. (MONAD)	Water sewerage treatment	**80[5]**	–	–	**80[5], [d]**	–	–
New Earth Water System, Inc. (NEWS)	Water projects	**100[5]**	–	–	**100[5], [d]**	–	–
SNV Resources Development Corporation (SNVRDC)	Water treatment and distribution	**100**	100	**–**	**100[b]**	–	100[b]
Mabini Pangasinan Resources Development Corporation (MPRDC)[5]	Water projects	**100**	100	**–**	**100[b]**	–	100[b]
Panay Water Business Resources, Inc. (PWBRI)	Water projects	**90**	90	**–**	**90[b]**	–	90[b]
WBSI	Water projects	**51[4]**	51[4]	**–**	**51[4], [b]**	–	51[4], [b]
Cavite Business Resouces Inc. (CBRI)	Water projects	**51[4]**	51[4]	**–**	**51[4], [c]**	–	51[4], [c]

(1) *Ceased commercial operations effective May 1, 2001.*
(2) *Effective ownership interest through MACS[a], MAPDC[b], WBSI[c] and BTSI[d].*
(3) *Effective ownership starting September 14, 2015.*
(4) *Effective ownership starting December 16, 2015.*
(5) *Effective ownership starting December 2, 2016.*

Subsidiaries are entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)

- Exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period using accounting policies that are consistent with those of the Parent Company. Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but are considered as an impairment indicator of the assets transferred.

Non-controlling Interests

Non-controlling interest represents the portion of the net assets of consolidated subsidiaries not held by the Group. Non-controlling interest is presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within the equity section of the
consolidated balance sheet, separate from the Company's equity. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognized in equity of the Company in transactions where the
non-controlling interests are acquired or sold without loss of control. This is recognized in the Company's retained earnings. If the Group loses control over a subsidiary, it: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amount of any non-controlling interests; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of the consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; (g) reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as

appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The Company should re-attribute a proportion of the goodwill between the controlling and non-controlling interests when their relative ownership interests change. The proportion of goodwill that is attributable to the non-controlling interests is not necessarily equal to their ownership percentage.

3. Significant Judgments and Accounting Estimates

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to exercise judgments, make estimates and use assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the consolidated financial estimates are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments

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

Determination of the Group's functional currency

Judgment is exercised in assessing various factors in determining the functional currency of each entity within the Group. These include the prices of goods and services, competition, cost and expenses, and other factors including the currency in which financing is primarily undertaken.

The Group, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be Peso. It is the currency of the primary economic environment in which the Group operates. The functional currency of LTP, one of the Group's associated companies has been determined to be US$.

Assessment of control or significant influence over the investee

The Group makes an assessment whether or not it controls an investee by considering all relevant facts and circumstances that indicate that the Group are exposed, or have rights, to variable returns from their involvement with the investee and have the ability to affect those returns through its power over the investee. A reassessment is made if circumstances indicate that there are changes in these control elements. The Group has significant influence over an investee if they only have the power to participate in the financial and operating policy decisions, but not control or jointly control over it. As of June 30, 2017 and December 31, 2016, the Group still determined that it controls its subsidiaries and has significant influence over its associates.

Impairment of provisional goodwill
Goodwill acquired from the acquisition of BTSI is based on provisional values and therefore the amount of goodwill has yet to be allocated to the cash-generating unit. Impairment testing will commence on the period the initial accounting will be finalized which should not be more than 12 months from date of acquisition. The provisional values were based as of December 2, 2016, which is a month to the reporting date. Also, management did not note any indicators that would change the values during the intervening period. As allowed by PAS 36, *Impairment of Assets*, management no longer tested the impairment of provisional goodwill amounting to ₱150 million as of June 30, 2017 and December 31, 2016.

Impairment of AFS investments
For AFS debt investments, the Group assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Group assesses whether the market prices of these bonds indicate objective evidence of impairment. Based on management's assessment, there is no objective evidence of impairment on its investment in bonds, especially as the counterparties are able to pay the contractual payments. The carrying value of AFS debt investments amounted to ₱64.67 million as of June 30, 2017 and December 31, 2016.

For AFS equity investments, management exercised judgment in assessing whether the quoted market price of the AFS equity investments at reporting date indicated an impairment vis-à-vis the cost. Management generally assesses that impairment is sustained once the decline in value reaches 20% of cost or that the decline in value persisted for more than 12 months. The Company believes that its outstanding investments in golf club and other proprietary and equity shares are not impaired. The carrying value of AFS equity investments amounted to ₱42.16 million as of June 30, 2017 and December 31, 2016.

Assessment whether SNVRDC is an operator under Philippine Interpretation IFRIC 12
Management has assessed that MAPDC's memorandum of agreement with the Municipality of Solano, Nueva Vizcaya (Solano) to provide water distribution facilities, which was subsequently assigned to SNVRDC, is covered by the Philippine Interpretation IFRIC 12. The memorandum of agreement qualifies under the intangible asset model with respect to the operation of the waterwork facilities as SNVRDC has the right (license) to charge users of public service.

Classification of lease arrangements - the Group as Lessee and Lessor
The Group has property leases where it has determined that the risks and rewards related to such property are retained with the lessor (e.g., no transfer of ownership of leased assets by the end of the lease term). Both the lease and sub-lease agreements are accounted for as operating leases. Operating lease income and expenses are recognized on a straight line basis over the lease term unless another systematic basis is representative of the time pattern of the Group's benefit.

Determination of indicators of impairment of nonfinancial assets
The Group assesses at each reporting date whether there is any indication that its investments in associates, property and equipment, investment property, deferred project costs, service concession right and input and other taxes may be impaired. Also, the Group

assesses whether facts and circumstances suggest that carrying amount of deferred mine exploration costs may exceed its recoverable amount.

The factors that the Group considers important which could trigger an impairment review included the following, among others:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the overall business strategy; and,
- significant negative industry or economic trends.

Management believes that there are no impairment indicators on its investments in associates, property and equipment, investment property, deferred project costs and service concession right as of June 30, 2017 and December 31, 2016. On the other hand, management determined certain facts which indicate impairment of the deferred mine exploration costs, which resulted in recognition of impairment in 2016.

Contingencies

The Group, in its normal course of business, is involved in various legal cases and claims. Based on management's assessment, the Group will be able to defend its position on these cases and that the ultimate outcome will not have a significant impact on the group financial statements. Accordingly, no provision has been recognized for these contingencies. LTP, the most significant associate of the Group also assesses the need to recognize the provisions based on the status of the claims.

Estimates and Assumptions

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects that period, or in the period of revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing material adjustment to the carrying amounts of the Group's assets and liabilities follow.

Determination of fair value of BTSI

In 2016, the Group acquired BTSI which was accounted for as business combination using the acquisition method. This required the identification of the assets and liabilities of the acquired entities and the determination of their fair values on acquisition date where management exercised significant judgment and estimation. With respect BTSI's property and equipment, the valuation considered the sales, listing and other market data of comparable properties. Other assets and liabilities are recognized at carrying value as management determined that these are primarily short-term in nature.

BSTI acquisition resulted in fair value of net assets amounting to ₱261.5 million as of acquisition date.

Determination of fair value of financial instruments
When the fair values of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be measured based on quoted prices in active markets, their fair values is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Estimation of allowance for doubtful accounts
Allowance for doubtful accounts is provided for accounts that are specifically identified to be doubtful of collection. The level of allowance is evaluated by management on the basis of factors that affect the collectability of the accounts, such as historical performance of counterparties, among others.

In addition to specific allowance against individually significant receivables primarily from airline customers, the Group also assesses, at least on an annual basis, a collective impairment allowance against credit exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when the receivables were originally granted to customers. This collective allowance is based on various factors such as historical performance of the counterparties within the collective group, deterioration in the markets in which the customers operate, various country or area risks, overall performance of the airline industry, and technological obsolescence which affects the confidence of the air transport market, as well as identified structural weaknesses or deterioration in the cash flows of counterparties.

The carrying value of the Group's receivables amounted to ₱753.63 million and ₱575.97 million as of June 30, 2017 and December 31, 2016, respectively. Allowance for doubtful accounts amounted to ₱11.87 million as of June 30, 2017 and December 31, 2016.

Determination of NRV of inventories
The Group estimates the NRV of inventories based on the most reliable evidence available at the time the estimates are made. These estimates consider the fluctuations of prices or costs directly relating to events occurring after the reporting date to the extent that such events affect the value of inventories. Other factors include the age and status of the inventories and the Group's experience on write-off and expirations.

The carrying value of inventories amounted to ₱51.66 million and ₱51.93 million, net of allowance for probable losses of ₱1.0 million as of June 30, 2017 and December 31, 2016, respectively.

Estimating allowances for probable losses on input taxes and tax credit certificates (TCC)
The Group estimates the level of provision for probable losses on input taxes and TCC based on the experience of the Group and assessment of counsels assisting the Group in processing the claims and negotiating the realization of TCC. As of June 30, 2017 and December 31, 2016, the carrying value of input taxes and TCC amounted to ₱185.09

million and ₱153.1 million, respectively. Allowance for probable losses amounted to ₱76.7 and ₱81.1 million as of June 30, 2017 and December 31, 2016, respectively.

Determination of fair value of investment property
The Group's fair value of investment property is valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. As of June 30, 2017 and December 31, 2016, the fair value of the investment property is based on valuation performed by an accredited independent valuer.

Estimation of useful lives of property and equipment
The Group estimates the useful lives of property and equipment based on the internal technical evaluation and experience with similar assets. In cases where the use of property and equipment is dependent on the grant of certain permits for an entity to conduct its business, management considers the probability of renewal of such permits based on past experience. In this situation, useful lives of property and equipment are based on the economic useful lives rather than the currently effective period of the permits. Estimated useful lives are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. There is no change in the estimated useful lives of property and equipment in as of June 30, 2017 and December 31, 2016.

The carrying value of property and equipment subject to depreciation as of June 30, 2017 and December 31, 2016 amounted to ₱814.66 million and ₱786.61 million, respectively

Estimation of useful life of service concession right
At the start of operation of the water work facilities, the service concession assets are to be amortized over the concession period until February 11, 2038 as provided in the Agreement. The amortization period are reviewed when there are changes in the expected term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset.

Impairment of deferred mine exploration costs
For deferred mine exploration costs, the Company considers its ability to secure the necessary permits to continue its exploration activities within the mining tenements and the probability of subsequent operations of mining tenements. The recovery of deferred mine exploration costs depends upon the success of exploration activities and future development of the mining properties, as well as the discovery of recoverable reserves in quantities that can be commercially produced.

In 2016, the Company has on-going applications to renew the exploration periods of its Mineral Production Sharing Agreements (MPSAs) in Palawan. Further, recent pronouncements of the DENR indicate no strong support for nickel mine operations in the short-term, applicable to Infanta Nickel and other tenements in the country. While the Company finds its MPSAs valid and subsisting as affirmed by the MGB through the DENR, the Company assessed the prevailing mining prospects in the coming years and saw valid reasons to fully provide with allowance for probable losses on its deferred mine exploration

costs relating to Infanta Nickel Project. The provision amounted to ₱212.9 million in 2016 and nil as of June 30, 2017.

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis or more frequently, if events or changes in circumstances indicate that it may be impaired. This requires the estimation of value-in-use of the cash generating unit to which goodwill relates. Estimating the value-in-use requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. For the purpose of impairment testing in 2016, goodwill has been allocated to MACS, the cash generating unit. The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets as approved by management covering a three-year projection. The projected cash flows was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth based on management's future plans. Cash flows beyond the three year period are extrapolated into perpetuity assuming a zero growth rate, for impairment test purposes. The discount rate was a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The discount rate used is 9% in 2017 and 2016.

Management believes that no reasonably possible change in any of the above assumptions would cause the carrying value of the goodwill to exceed its recoverable amount. Based on management's assessment, the recoverable amount of the goodwill is higher than the carrying value, thus no impairment loss was noted on the goodwill on MACS with carrying amount of ₱17.5 million as of June 30, 2017 and December 31, 2016, respectively.

Estimation of retirement benefits costs and obligation and accumulating leave credits
The cost of defined benefit pension plans, as well as the present value of the pension obligation is, determined using actuarial valuations. The actuarial valuation involves making various assumptions.

These include the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All significant assumptions are reviewed at each reporting date. The calculation of accumulating leave credits follows the same assumptions as the defined benefit costs.

In determining the appropriate discount rate, management considers the interest rates of government bonds, adjusted to zero coupon rates, with term consistent with the obligation of the plan.

Accrued retirement benefits payable amounted to ₱9.85 million and ₱10.95 million as of June 30, 2017 and December 31, 2016, respectively. Pension asset amounted to ₱11.2 million and ₱14.4 million as of June 30, 2017 and December 31, 2016, respectively, and is included under "Deposits and other noncurrent assets" account. Accumulated leave credits

amounted to ₱3.7 million and ₱11.6 million as of June 30, 2017 and December 31, 2016, respectively.

Estimation of provisions for probable loss
The Group is a party to certain claims arising from the normal course of business. The estimate of probable costs of possible claims has been developed in consultation with the Group's legal counsel and is based upon an analysis of potential results. The Group recognized provision for contingencies in the normal course of business amounting to ₱8.1 and ₱8.9 million as of June 30, 2017 and December 31, 2016, respectively. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the Group's negotiation with the third party.

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets (gross of deferred income tax liabilities) at each reporting date and adjusts the balance of deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The determination of future taxable income, which will establish the amount of deferred income tax assets that can be recognized, requires the estimation and use of assumptions about the Group's future income and timing of reversal of temporary differences, unused NOLCO and excess MCIT.

Gross deferred income tax assets recognized, which relate primarily to operating subsidiaries, amounted to ₱27.68 million and ₱22.29 million as of June 30, 2017 and December 31, 2016, respectively. The Group also has unrecognized deferred income taxes primarily on the non-operating subsidiaries' temporary differences, NOLCO and MCIT.

4. Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the aviation-support service provided by its four subsidiaries, maintenance, repairs and overhaul, mining-related activities and water treatment and distribution. This is the basis on which the Group reports its primary segment information. The Group also monitors the revenue and operating results of its associates. Information with respect to these subsidiaries, as well as the Group's associates. The Group's geographic segment is the Philippines only. The Group operates and derives all its revenue from domestic operation.

The operations of Group's segments are described as follows:

- In-flight and other catering segment, which is operated by MACS and its subsidiary, MSFI, refers to servicing of meal requirements of certain foreign and domestic passenger airlines at the NAIA and the MDA and of certain non-airline institutional accounts.

- Ground handling and aviation segment, which is operated by MASCORP, refers to both ramp and passenger handling and aviation services to foreign airlines and

domestic carriers at NAIA, MCIA, KIA, General Santos International Airport and Davao International Airport, CIA, Tuguegarao Airport, Laoag International Airport, Basco Airport Terminal, Puerto Princesa International Airport, Francisco B. Reyes (Busuanga) Airport, Legazpi Airport, Naga Airport, Iloilo International Airport, Roxas Airport, Bacolod-Silay International Airport, Daniel Z. Romualdez (Tacloban Airport), Dipolog Airport, Laguindingan (Cagayan de Oro) Airport, Zamboanga International Airport, Bancasi (Butuan) Airport, Cotabato Airport, Surigao Airport.

- Charter flights segment, which is handled by MAATS, provided international and domestic chartered flights from its base at the General Aviation Area, MDA to any point within the Philippines, through alliances with other helicopter owners. Beginning August 22, 2016, MAATS ceased operating its helicopter charter and is now focused on its Fixed Base Operations (FBO) revenue generating activities.

- Rental and administrative segment, which is primarily operated through MAPDC, pertains to the sub-lease of the MacroAsia Ecozone at NAIA, which MAPDC leases from Manila International Airport Authority (MIAA) with LTP as the anchor locator.

- Mining segment, which pertains to mining-related activities of the Group, refers to expenditures for exploration activities and rendering of exploration-related services.

- Water segment pertains to development (e.g., studies, surveys) and construction of water-treatment facilities activities, which are undertaken by MAPDC through its subsidiaries (SNVRDC, MPRDC, PWBRI, WBSI and its subsidiary, CBRI and BTSI and its subsidiaries, MONAD and NEWS).

- Associates, which represents the Group's investments in associates that are accounted for using the equity method.

The Group has only one geographic segment. There were no inter-segment sales as of June 30, 2017. Segment assets include the operating assets used by a segment and consist principally of cash and cash equivalents, receivables, inventories, other current assets and property and equipment, net of allowances, depreciation and any impairment in value. Segment liabilities include all operating liabilities for and consist principally of notes payable, accounts payable and accrued liabilities. Segment results pertain to net income after tax.

Financial information on the Group's business segments as of and for the period ended June 30, 2017 and 2016 are as follows:

(In Thousand Pesos)

	April - June		January to June	
REVENUE – External	**2017**	2016	**2017**	2016
In-flight and other catering services	**393,296**	400,741	**801,031**	740,392
Ground handling and aviation	**259,103**	165,805	**460,257**	332,947
Rental and administrative	**49,310**	46,647	**98,619**	93,293
Charter flights		8,999		11,068
Water	**28,220**	2,015	**57,369**	3,640
Mining	**10,214**	2,992	**15,093**	2,992
Total segment and consolidated revenue	**740,142**	627,199	**1,432,369**	1,184,331
RESULT – Segment result				
In-flight and other catering services	**77,441**	33,746	**170,117**	78,688
Ground handling and aviation	**50,381**	13,916	**88,658**	28,960
Rental and administrative services	**(10,198)**	(1,911)	**(21,760)**	(7,098)
Charter flights	**111**	2,102	**612**	2,209
Water	**74**	(8,364)	**(1,837)**	(10,752)
Mining	**1,372**	(3,426)	**(131)**	(10,213)
Share in net income (loss) of associates	**312,037**	94,388	**576,320**	167,587
Total segment results	**431,218**	130,451	**811,979**	249,380
Unallocated corporate income (expenses) and eliminations	**(19,840)**	(14,760)	**(73,918)**	(38,717)
Net income attributable to Non-controlling interests	**(39,140)**	10,575	**(65,215)**	25,007
Consolidated net income (loss)	**372,238**	126,266	**672,846**	235,671

OTHER INFORMATION	Jun-17	Dec-16
Segment assets		
In-flight and other catering services	**1,195,150**	970,367
Ground handling and aviation	**520,497**	436,481
Rental and administrative services	**812,989**	1,483,061
Charter flights	**32,658**	46,115
Investment in associates	**1,805,508**	1,541,169
Water	**948,296**	1,483,061
Mining	**37,319**	43,339
Total segment assets	**5,352,416**	6,003,595
Investment property	**149,972**	143,852
Deferred tax asset	**27,682**	22,293
Unallocated corporate assets and eliminations	**113,590**	1,430,507
Consolidated total assets	**5,643,661**	4,739,233
Segment liabilities		
In-flight and other catering services	**444,011**	430,980
Ground handling and aviation	**174,612**	184,270
Rental and administrative services	**159,872**	1,161,129
Charter flights	**7,128**	11,551
Water	**76,628**	1,161,129
Mining	**4,804**	78,529
Total segment liabilities	**867,055**	3,027,589
Deferred tax liabilities	**36,583**	36,183
Unallocated corporate liabilities and eliminations	**196,000**	2,144,784
Consolidated total liabilities	**1,099,638**	918,988

Capital expenditures - net	April - June		January to June	
	2017	2016	**2017**	2016
In-flight catering services	**11,290**	49,551	**33,477**	53,894
Ground handling and aviation	**6,303**	15,879	**12,616**	18,596
Rental and administrative services	**-**	-	**1,705**	-
Charter flights	**62**	629	**62**	29,042
Water	**19,835**	12,830	**21,327**	22,321
Mining	**5,344**	-	**7,233**	-
Unallocated corporate capital expenditures	**419**	-	**10,597**	-
Total	**43,255**	78,890	**87,017**	123,853
Depreciation & amortization				
In-flight catering services	**8,896**	6,695	**17,118**	13,289
Ground handling and aviation	**12,370**	10,383	**24,047**	20,483
Rental and administrative services	**364**	339	**708**	682
Charter flights		624		1,246
Water	**11,423**	4,092	**19,438**	4,631
Mining	**1,919**	1,495	**3,672**	2,990
Unallocated corporate depreciation and amortization	**810**	450	**1,586**	1,105
Total	**35,783**	24,078	**66,570**	44,427
Non cash expenses other than depreciation & amortization				
In-flight catering services	**(810)**	8,139	**1,413**	13,183
Ground handling and aviation services	**(1,142)**	3,215	**(674)**	9,503
	(1,952)	11,355	**739**	22,686

5. Basic/Diluted Earnings per Share

Basic/diluted earnings per share are computed as follows:

(In thousand pesos except earnings per share)	**Jun-17**	**Dec-16**	**Jun-16**
Net income attributable to equity holders of the parent	**641,354**	388,955	210,664
Divided by number of common shares outstanding	**1,232,834**	1,233,404	1,233,404
	0.5202	0.3154	0.1708

6. Equity

a. Restriction on retained earnings of the Group

The retained earnings as of June 30, 2017 is restricted for dividend declaration for the portion equivalent to the following:

- Undistributed earnings of subsidiaries and equity in net earnings of associates amounting to ₱1.14 billion and ₱533.9 million as of June 30, 2017 and December 31, 2016, respectively.

- Cost of treasury shares amounting to ₱52.87 million and ₱49.42 million as of June 30, 2017 and December 31, 2016.

- Deferred income tax assets amounting to ₱27.68 million as of June 30, 2017 and ₱22.29 million as of December 31, 2016.

b. Appropriation of retained earnings

On December 8, 2016, the BOD released from appropriation the ₱50.0 million appropriated in 2015 for the purchase of catering delivery trucks and ₱100.0 million appropriated in 2014 and 2012 for the plant expansion. These amounts were approved to be re- allocated for the production facility expansion in NAIA and offsite commissary construction project. On the same date, the BOD approved the appropriation of additional ₱110.0 million for the same purpose of production facility expansion in the next two years, such that the total appropriation amounts to ₱260.0 million.

On December 12, 2015, MACS'BOD approved the appropriation of the Company's retained earnings amounting to ₱50.0 million for the purchase of catering delivery trucks in 2016 and the business expansion program in the next two years.

On December 12, 2011 and July 15, 2011, the Company's BOD approved the appropriation of the Company's retained earnings which amounted to ₱393.1 million and ₱300.0 million, respectively, for the mining development projects and water projects, respectively. As to the mining project, the Company intends to start development activities and mining operations after the grant of operating permits.

On June 21, 2012, MASCORP's BOD approved the appropriation of its retained earnings which amounted to ₱30.0 million for business expansion, activities and mining operations on 2016, after the period allotted for the extension of the exploration period, if on-going studies indicate favorable economics.

c. Cash dividends declared by the Parent Company from the unappropriated retained earnings are as follows:

Date Approved	Per share	Stockholder of Record Date	Date of Payment
December 14, 2016	₱0.080	January 6, 2017	February 1, 2017
December 14, 2015	0.075	January 4, 2016	January 28, 2016

d. Treasury stock

On July 16, 2010, the BOD approved the Share Buyback Program (the Program) involving a total cash outlay of ₱50.0 million for the repurchase of the outstanding common shares of the Parent Company from the market, using the trading facilities of the Philippine Stock Exchange (PSE). The Program will not involve any active or widespread solicitation for stockholders to sell. Repurchase of shares of stock will be done during the period of the Program at such prices perceived by the Parent Company to be lower than the inherent value of the share. The Program will run until the ₱50.0 million authorized cash outlay is fully utilized or until such time that the BOD may direct, subject to appropriate disclosures to the PSE and the SEC.

On June 15 2017, the Board of Directors of MacroAsia Corporation approved to allot ₱210.0 million to buy back shares of MacroAsia Corporation at market price. The mechanics of which shall be similar to the ₱50.0 million buyback program implemented in 2010. The Program commenced on June 20, 2017 and will run until the ₱210.0 million pesos authorized cash outlay is fully utilized, or until such time that the Board of Directors of MacroAsia may direct, subject to appropriate disclosures to the PSE and the SEC.

In June 2017, 570,000 shares amounting to ₱3.45 million were reacquired. In 2012, the Parent Company reacquired 6,125,000 shares for ₱17.5 million.

e. Movement in the Parent Company's outstanding shares follows:

Outstanding shares as of December 31, 2011	1,239,529,000
Acquisition of treasury shares in 2012	6,125,000
Acquisition of treasury shares in 2017	570,000
Outstanding shares as of June 30, 2017	1,232,834,000

f. Track record of registration of securities

On August 30, 1974, the SEC authorized the registration and licensing of the Parent Company's securities with total par value of ₱20.0 million divided into 2,000,000,000 shares with a par value of ₱0.01 per share.

On December 10, 1993, the Company amended its articles of incorporation, increasing the par value of its shares from ₱0.01 per share to ₱1.00 per share.

On March 22, 2000, the Philippine Stock Exchange, Inc. authorized to list the Parent Company's 750,000,000 shares, with a par value of ₱1.00 per share and 500,000,000 warrants divided into the following:

i. 250,000,000 shares to cover the 1:4 stock rights offering to stockholders of record as of April 12, 2000 at an offer price of ₱2.00 per share;

ii. 500,000,000 warrants to cover the 2:1 warrants offering attached to and detachable from the rights shares at a subscription price of ₱0.10 per warrant; and

iii. 500,000,000 shares to cover the underlying shares of warrants at an exercise price of ₱6.00 per share. Actual listing of the underlying common shares of the warrants shall take effect upon the exercise of the warrants.

iv. All warrants expired in 2005.

MAC's shares are listed and traded at the Philippine Stock Exchange, Inc. and it has approximately 857 and 860 holders of its common equity as of June 30, 2017 and December 31, 2016, respectively.

g. Cash dividends received by non-controlling interest

On December 8, 2016, MACS declared the distribution of ₱50.0 million or ₱40.0 per share dividend to be paid in two installments on or before December 20, 2016 and April 14, 2017. Dividends attributed to non-controlling interest amounted to ₱16.5 million which were fully paid as of June 30, 2017.

h. Acquisition of non-controlling interest

- In December 2015, MAPDC entered into a share purchase agreement with a third party wherein WBSI shall be owned by MAPDC and the third party at 51% and 49%, respectively. The transaction was accounted for as a sale of share in subsidiary without loss of control; thus an equity transaction.

  Proportionate share of equity allocated to non-controlling interests and gain on sale, net of transaction costs of ₱2.7 million, amounted to ₱10.7 million and ₱24.3 million, respectively, and are presented as part of "Other reserves" in equity account in the 2017 and 2016 consolidated balance sheet.

- In July 2015, the Company signed a Sale and Purchase Agreement with SATS to sell 162,500 shares representing 13% of the total issued and outstanding capital stock of MACS. After the sale, MACS is 33% owned by SATS.

  Proportionate share of equity allocated to non-controlling interests and gain on sale of investment, net of transaction costs of ₱13.2 million, amounted to ₱36.4 million and ₱119.0 million, respectively, and are presented as part of "Other

reserves" in equity account in the 2017 and 2016 consolidated balance sheet. Total amount of goodwill re-attributed to the non-controlling interests amounted to ₱2.8 million.

- In 2014, MAPDC paid a total of ₱10.6 million for the remaining 12.6% non-controlling interest to the previous stockholders of WBSI.

7. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders and repurchase or issue new shares. The Group is not subject to externally imposed capital requirements as of June 30, 2017 and December 31, 2016. Further, no changes were made in the objectives, policies or processes for the period ended December 31, 2016 and for the six-month period ended June 30, 2017.

The Group monitors capital vis-à-vis after tax profit. The Group also monitors the equity ratio. Equity considered by the Group is total equity in the consolidated balance sheets, excluding items arising from other comprehensive income. The return on equity ratio is computed by dividing the after tax profit by total capital.

The following summarizes the total capital considered by the Group and the computation of the return on equity:

	30-Jun-17	31-Dec-16	30-Jun-16
Capital stock	**1,250,000,000**	1,250,000,000	1,250,000,000
Additional paid in capital	**281,437,118**	281,437,118	281,437,118
Treasury shares	**(52,870,805)**	(49,418,660)	(49,418,660)
Retained earnings	**2,641,930,083**	2,000,576,033	1,927,757,703
	4,120,496,396	3,482,594,491	3,409,776,161
Net income after tax	**672,846,416**	440,167,563	235,670,618
Return on equity	**16.33%**	12.64%	6.91%

8. Financial Risk Management Objectives and Policies

Risk Management Structure

Audit Committee

The Committee performs oversight role on financial management functions especially in the areas of managing credit, market, liquidity, operational, legal and other risks of the Group.

Risk Management Committee

The Committee assists the BOD in identifying and assessing the various risks to which the Group is exposed to. The Committee also ensures that the Group's management has implemented a process to identify, manage and report on the risks that might prevent the Group from achieving its strategic objectives.

Board of Directors

The BOD is responsible for the overall risk management approach and for approval of risk strategies and principles of the Group.

Financial Risk Management

The Group's principal financial instruments is comprised of cash and cash equivalents and some external liabilities which were availed of primarily to fund operations. The Group has other financial assets and financial liabilities such as trade receivables and payables which arise directly from operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, interest rate risk and liquidity risk. The BOD reviews and approves policies for managing these risks and they are summarized as follows:

Foreign currency risk

The Group's transactional currency exposure arises from sales in currencies other than its functional currency and retaining its cash substantially in currency other than its functional currency. Currently, approximately 78% of MACS' and 49% of MASCORP's revenue are denominated in US$. In addition, the Group closely monitors the foreign exchange rates fluctuations and regularly assesses the impact of future foreign exchange movements on its operations.

The following table demonstrates the impact on the Group's income before income tax and equity of reasonably possible changes in the US$, with all other variables held constant:

(in millions)	Movement in US$	Increase (decrease) on Income/Loss before Income Tax US$
2017	Increase of 5%	7.1
	Decrease of 5%	(7.1)
2016	Increase of 5%	20.9
	Decrease of 5%	(20.9)
2015	Increase of 5%	39.7
	Decrease of 5%	(39.7)

Credit and concentration risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

The Group trades only with related parties and duly evaluated and approved creditworthy third parties. It is the Group's policy that all customers and counterparties that wish to trade with the Group, particularly on credit terms, are subjected to credit verification procedures. In addition, receivable balances are monitored on a continuous basis with the result that the Group's exposure to bad debts is not significant. The Group has major concentration of credit risk given that the Group's cash and cash equivalents are deposited in the local affiliated bank. Further, MASCORP's major customers include PAL and Air Phil.

MMC also has a single customer. However, since these companies are related parties and the local affiliated bank is one of the country's reputable banks, management believes that the Group is not exposed to any significant risk.

With respect to credit risk arising from financial assets, the Group's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying values of these instruments. The Group only deals with financial institutions that have been approved by the BOD of the Parent Company and those of its subsidiaries. The Group does not require any collateral and other credit enhancements.

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group using internal credit ratings.

The tables below show the credit quality of the Group's financial assets and an aging analysis of past due but not impaired financial assets.

June 30, 2017	Neither past due nor impaired			Past due or individually impaired	Total
	High Grade	Standard Grade	Sub-standard Grade		
Loans and receivable:					
Cash in bank and cash equivalents*	924,636,740	-	-	-	924,636,740
Receivables:					
Trade	369,057,837	30,541,116	16,773,147	220,847,266	637,219,366
Due from officers and employees	995,460	-	-	-	995,460
Interest receivable	2,287,987	-	-	-	2,287,987
Other receivables	74,483,213	-	-	-	74,483,213
Non-Trade	33,233,180	5,410,053	-	-	38,643,233
Deposits	26,725,070	-	-	-	26,725,070
AFS investments					
Retail treasury and corporate bonds	64,669,500	-	-	-	64,669,500
	1,496,088,987	35,951,169	16,773,147	220,847,266	1,769,660,569

**Exclusive of cash on hand amounting to P2,124,628 as of June 30, 2017.*

December 31, 2016	Neither past due nor impaired			Past due or individually impaired	Total
	High Grade	Standard Grade	Sub-standard Grade		
Loans and receivable:					
Cash in bank and cash equivalents*	558,282,748	-	-	-	558,282,748
Receivables:					
Trade	305,334,451	25,267,733	13,877,011	182,714,664	527,193,859
Dividends receivable	20,000,000	-	-	-	20,000,000
Due from officers and employees	7,875,717	3,472,268	-	-	11,347,985
Interest receivable	3,849,350	-	-	-	3,849,350
Other receivables	25,451,388	-	-	-	25,451,388
Deposits	24,939,435	-	-	-	24,939,435
AFS investments					
Retail treasury and corporate bonds	64,669,500	-	-	-	64,669,500
	1,010,402,589	28,740,001	13,877,011.00	182,714,664	1,235,734,265

Exclusive of cash on hand amounting to 1,408,301as of December 31, 2016

The Group's financial assets are categorized based on the Group's collection experience with affiliates and third parties.

a. High Grade – settlements are obtained from counterparty following the terms of the counterparty.
b. Standard Grade – some reminder follow-ups are performed to obtain settlement from the counterparty.
c. Sub-standard Grade – constant reminder follow-ups are performed to collect accounts from counterparty.

d. Impaired – difficult to collect with some uncertainty as to collectability of the accounts.

Overall, the Group considers its high grade and standard grade accounts of good quality and it expects to collect all receivables except for impaired accounts where credit losses may be incurred.

The aging analysis of financial assets as of June 30, 2017:

	Past Due but not Impaired				
	Less than 30 days	30 to 60 days	More than 60 days	Impaired	Total
30-Jun-17	**83,114,885**	**69,449,102**	**56,409,172**	**11,874,107**	**220,847,266**
31-Dec-16	66,713,607	57,457,670	46,669,280	11,874,107	182,714,664

Impairment assessment

The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Group assesses impairment on an individual account basis.

Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention even at interim.

Interest rate risk

The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's notes payable with floating interest rates. The Group has a practice of keeping its interest-bearing liabilities to third parties within a threshold that can be serviced through operating cash flows. Management closely monitors the behavior of interest rates to ensure that cash flow interest rate risk is kept within management's tolerable level. Finally, interest-bearing liabilities are ordinarily incurred on a short-term basis only.

The following table sets forth the estimated change in the Group's income before income tax (through the impact on the variable rate borrowings) due to parallel challenges in the interest rate curve in terms of basis points (bp) as of June 30, 2017, with all other variables held constant. There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

	Increase (decrease) in income before income tax June 30, 2017	Increase (decrease) in income before income tax December 31, 2016
	(in millions)	
100 bp rise	(₱2.99)	(₱1.87)
100 bp fall	2.99	1.87
50 bp rise	(1.49)	(0.94)
50 bp fall	1.49	0.94

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations when they fall due under normal and stress circumstances. To limit this risk, management manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows which could be used to secure additional funding if required.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of operating cash flows, advances from related parties and short-term bank loans.

In addition, MASCORP has obtained an omnibus line of credit for ₱100.0 million (or USD equivalent) and bills purchase line for ₱20.0 million. The omnibus line of credit is available by way of short-term promissory notes with interest, while the bills purchase line is available for settlement of the Company's obligation through the bank. This line of credit is available until January 31, 2016. This was subsequently renewed on January 28, 2016 and is available until January 31, 2017. MASCORP has not drawn any amount from the line of credit.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual and undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. The table also analyses the maturity profile of the Group's financial assets held for managing liquidity in order to provide complete view of the Group's contractual commitments and liquidity.

As of June 30, 2017	< 1 year	>1-2 years	>2-3 years	>5 years	Total
Loans and receivables:					
Cash and cash equivalents	926,761,368	-	-	-	926,761,368
Receivables:					
Trade	637,219,366	-	-	-	637,219,366
Dividends receivable	-	-	-	-	-
Due from officers and employees	995,460	-	-	-	995,460
Interest receivable	2,287,987	-	-	-	2,287,987
Non trade	38,643,233	-	-	-	38,643,233
Other receivables	25,451,388	-	-	-	25,451,388
Deposits	-	-	-	26,725,070	26,725,070
AFS - debt	-	-	64,669,500	-	64,669,500
	1,631,358,802	-	64,669,500	26,725,070	1,722,753,372
Other financial liabilities:					
Accounts payable and accrued liabilities	526,800,130	-	-	-	526,800,130
Notes Payable	177,603,851	11,529,703	-	125,000,000	314,133,554
Dividends payable	8,620,761	-	-	-	8,620,761
Deposit	-	-	-	7,704,434	7,704,434
	713,024,742	11,529,703	-	132,704,434	857,258,879
Liquidity position	918,334,060	(11,529,703)	64,669,500	(105,979,364)	865,494,493

As of Dec. 31, 2016	< 1 year	>1-2 years	>2-3 years	>5 years	Total
Loans and receivables:					
Cash and cash equivalents	559,691,049	-	-	-	559,691,049
Receivables:					
Trade	527,193,859	-	-	-	527,193,859
Dividends receivable	20,000,000	-	-	-	20,000,000
Interest receivable	3,849,350	-	-	-	3,849,350
Other receivables	25,451,388	-	-	-	25,451,388
Deposits*	-	-	-	45,851,403	45,851,403
Available for sale - debt	-		64,669,500	-	64,669,500
	1,136,185,646	-	64,669,500	45,851,403	1,246,706,549
Other financial liabilities:					
Accounts payable and accrued liabilities**	322,741,887	-	-	-	322,741,887
Notes payable***	163,126,987	7,598,000	1,266,333	-	171,991,320
Dividends payable	107,293,081	-	-	-	107,293,081
Deposit****	-	-	-	25,210,995	25,210,995
	593,161,955	7,598,000	1,266,333	25,210,995	627,237,283
Liquidity position	543,023,691	(7,598,000)	63,403,167	20,640,408	619,469,266

** Inclusive of accretion of interest of 22,991,968.*

***Exclusive of nonfinancial liabilities of 55,150,977.*

**** Inclusive of interest to maturity of 2,890,802.*

******Inclusive of accretion of interest of 17,506,560.*

9. *Fair Value of Financial Instruments*

The following is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are reflected in the consolidated financial statements as of June 30, 2017 and December 31, 2016:

As at 30 June 2017			**Fair value measurements using**		
	Date of valuation	**Carrying value**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets measures at fair value:					
Available for sale financial investments					
Government Securities	June 30, 2017	**64,669,500**	**64,669,500**		
Golf club shares		**42,155,800**	**42,155,800**		
Assets for which fair value is disclosed:					
Investment property	June 30, 2017	**149,972,488**			**149,972,488**
Deposits		**26,725,070**			**26,725,070**
Liabilities for which fair value is disclosed					
Deposits	June 30, 2017	**10,722,748**			**10,722,748**

As at 31 December 2016			Fair value measurements using		
	Date of valuation	Carrying value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measures at fair value:					
Available for sale financial investments					
Government Securities	December 31, 2016	64,669,500	64,669,500	-	-
Golf club shares		42,155,800	42,155,800	-	-
Assets for which fair value is disclosed:					
Investment property	December 31, 2016	143,852,303	-	-	261,096,000
Deposits	December 31, 2016	24,924,639	-	-	24,924,639
Liabilities for which fair value is disclosed					
Deposits	December 31, 2016	7,704,434	-	-	7,704,434

There have been no transfers between Level 1 and 2 in 2017 and 2016.

Cash and cash equivalents, receivables, accounts payables and accrued liabilities
The carrying values of cash and cash equivalents, receivables and accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

Notes payable
The carrying value of notes payable approximates its fair value due to the re-pricing feature of the interest it carries.

AFS investments
Fair value of the quoted notes and bonds is based on exit price at the reporting date.

Investment property
The Philippine SEC-accredited and independent appraiser used the "Market Data Approach" in valuing the property. The Group has determined that the highest and best use of the property is its current use (i.e., industrial purpose).