



**PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION**

SECURITIES AND EXCHANGE
COMMISSION

RECEIVED
AUG 27 2016

MARKET REGULATION DEPT.
BY: *[Signature]* TIME: 3:16

22 August 2016

HON. VICENTE GRACIANO P. FELIZMENIO, JR.
Director, Markets and Securities Regulation Department
Securities and Exchange Commission
SEC Bldg., EDSA, Mandaluyong City

Dear Dir. Felizmenio,

We submit herewith Philippine National Construction Corporation's Definitive Information Statement (SEC Form 20-IS for 2015).

The report contains the following in reply to your letter dated 20 July 2016:

1. Matter to be taken up which may trigger the exercise of right of dissenter;
2. Aggregate ownership of all directors and officers;
3. Relationship between the Independent Directors nominees;
4. Related Party disclosures;
5. Adjusted required information for the CEO and four (4) most highly compensated executive officers;
6. Company's clarification on the extension of corporate life for approval of the stockholders, and
7. Manner of counting the votes.

The report also attached Annual Financial Statements for 2015 with the required additional components, Quarterly Report for the period ended March 31, 2016 and June 30, 2016.

We hope you find our submission in order.

Very truly yours,

ROSALYN S. DELIVIOS
Corporate Information Officer

COVER SHEET

3 0 9 3 9
S.E.C. Registration Number

P H I L I P P I N E N A T I O N A L
C O N S T R U C T I O N C O R P O R A T I O N
(Company's Full Name)

P N C C C O M P L E X K M 1 5 E A S T S E R V I C
E R O A D B I C U T A N P A R A N A Q U E C I T Y
(Business Address: No. Street City / Town / Province)

JANICE DAY E. ALEJANDRINO
Contact Person

846-2906
Company Telephone Number

1 2 3 1
Month Fiscal Year Day

20 IS -- Definitive Information
FORM TYPE

0 3 4th Tuesday
Month Annual Meeting Day

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document ID

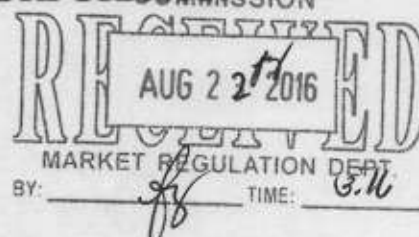
Cashier

STAMPS



PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

SECURITIES AND EXCHANGE
COMMISSION



PROXY

The undersigned stockholder of PHILIPPINE NATIONAL CONSTRUCTION CORPORATION (the "Corporation") hereby constitutes and appoints _____ as proxy to represent the undersigned stockholder, and to vote all the shares registered in the name of the undersigned stockholder in the books of the Corporation at the meeting of the stockholders of the Corporation, and any adjournment thereof to held on 19 September 2016.

The proxy is authorized to vote on all matters, which may properly be taken in the said meeting of stockholders.

This proxy shall be valid only for the said meeting of the stockholders, unless withdrawn by the undersigned stockholder by written notice filed with the Corporate Secretary of the Corporation. This proxy shall not be valid for meetings where the undersigned stockholder personally registers and attends the aforementioned meeting, and at any adjournment thereof.

Signed this Proxy this ____ day of ____ 2016.

By:

18 July 2016

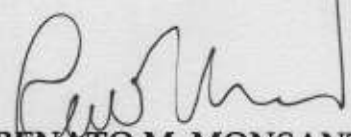
Dear Stockholder,

Please take notice that this year's annual meeting of the stockholders of PHILIPPINE NATIONAL CONSTRUCTION CORPORATION will be held on 19 September 2016 at 2:00 p.m. at the PNCC Complex, KM. 15 East Service Road, Bicutan, Parañaque City. The Agenda of the meeting is as follows:

1. Call to Order
2. Certification of Notice and Quorum
3. Report of the Chairman/ President
4. Amendment of the Fourth Article of the Articles of Incorporation to Extend the Corporate Term for 50 years from November 22, 2016
5. Election of the Board of Directors of the Corporation
6. Other Matters
7. Adjournment

Only stockholders of record at the close of business hours on 15 July 2016 are entitled to notice, and to vote at this meeting. Registration will start at 1:00 p.m. and will close at exactly 1:45 p.m. Please present any government issued ID as proof of identification such as driver's license, passport, postal ID, of SSS/ GSIS ID. Aside from personal identification, representatives of corporate stockholders should present a notarized Secretary's Certificate indicating the representative's authority to represent the corporation. Beneficial owners whose shares are lodged with the Philippine Central Depository ("PCD"), or registered under the name of a broker, bank, or other fiduciary, must, in addition to the required proof of identification, present a notarized certification from the owner of record that he is the beneficial owner, indicating thereon the number of shares.

Should you be unable to attend the meeting, you may want to execute a proxy in favor of a representative. Proxies must be presented to the Corporate Secretary for inspection, validation, and record, at least seven (7) business days prior to the Stockholders' Meeting. We enclose a proxy form for your convenience.


RENATO M. MONSANTO
Assistant Corporate Secretary

EXPLANATION OF AGENDA ITEMS FOR STOCKHOLDERS' APPROVAL

Certification of Notice and Quorum

The Corporate Secretary will certify the date the notice of the meeting was sent to all stockholders and the date of publication of the notice in newspaper of general circulation.

The Corporate Secretary will further certify the existence of a quorum. The stockholders present, in person or by proxy, representing a majority of the outstanding capital stock shall constitute a quorum for the transaction of business.

The following are the rules of conduct and procedures:

1. The polls are open for the stockholders to cast their votes manually.
2. A stockholder may vote manually using the ballot provided to him upon registration and placing the voted ballot in the ballot boxes located at the registration table.
3. Each outstanding share of stock entitles the registered holder to one vote.
4. In general, the stockholders act by the affirmative vote of stockholders representing at least a majority of the outstanding and voting capital stock present at the meeting.
5. For the amendment of the Fourth Article of the Articles of Incorporation, the affirmative vote of stockholders representing at least two-thirds (2/3) of the outstanding capital stock is required.
6. The Election of the directors shall be by plurality of votes. Every stockholder shall be entitled to cumulate his vote.
7. The stockholders may cast their votes anytime during the meeting.
8. All votes received shall be tabulated by the Office of the Corporate Secretary, and the results of the tabulation shall be validated by Commission on Audit (COA) - Audit Team.
9. During the meeting, as the stockholders take up an item on the Agenda, the Corporate Secretary will report the votes already received and tabulated on that item.

Report of the President and Chief Executive Officer (CEO)

The President & CEO will deliver a report to the stockholders on the performance of the Company in 2015 and the outlook for 2016. Audited Financial Statements (AFS) as of December 31, 2015 (AFS) will be embodied in the Information Statement to be sent to the stockholders at least 15 business days prior to the meeting.

A resolution noting the report and approving the AFS will be presented to the stockholders for approval by the affirmative vote of the stockholders

representing at least a majority of the outstanding voting stock present at the meeting.

Proposed Resolution:

"RESOLVED, that the President's Annual Report and the Audited Financial Statements as of December 31, 2015 be, as they are hereby accepted and approved, and the Corporate Secretary is instructed to file the same as parts of these minutes."

Amendment of the Fourth Article of the Articles of Incorporation to Extend the Corporate Term for 50 years from November 22, 2016

A resolution approving the amendment will be presented to the stockholders for approval by the affirmative vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

Proposed Resolution:

"RESOLVED, that the amendment of the Fourth Article of the Articles of Incorporation to Extend the Corporate Term for 50 years from November 22, 2016, are hereby accepted and approved, and the Corporate Secretary is instructed to file the same to the Securities and Exchange Commission."

Election of the Board of Directors of the Corporation

Any stockholder may submit to the Nomination Committee nominations to the Board not later than 18 August 2016. The Nomination Committee will determine whether the nominees for directors, including the nominees for independent directors, have all the qualifications and none of the disqualifications to serve as members of the Board before submitting the nominees for election by the stockholders. The profiles of the nominees to the Board will be provided in the Information Statement and in the company website for examination by the stockholders.

The directors are elected by plurality of votes using the cumulative voting method. The eleven (11) nominees receiving the highest number of votes will be declared elected as directors of the company.

Other Matters

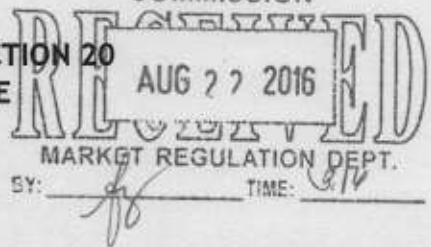
The Chairman will open the floor for comments and questions by the stockholders. Stockholders may raise other matters or issues that may be properly taken up at the meeting.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

SECURITIES AND EXCHANGE
COMMISSION



1. Check the appropriate box:
☐ Preliminary Information Statement
☒ Definitive Information Statement
2. Name of Registrant as specified in its charter PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
3. Philippines
 Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number 0000030930
5. BIR Tax Identification Code 000-058-330-000
6. PNCC COMPLEX, KM. 15, EAST SERVICE ROAD, BICUTAN, PARAÑAQUE CITY
 Address of principal office 1700
 Postal Code
7. Registrant's telephone number, including area code (632) 822-57-25 / (632) 846-3045
8. Date, time and place of the meeting of security holders
September 19, 2016, 2:00 p.m.
PNCC Complex, Km. 15, East Service Road, Bicutan, Paranaque City
9. Approximate date on which the Information Statement is first to be sent or given to security holders
August 26, 2016
10. *In case of Proxy Solicitations: Not applicable*
 Name of Person Filing the Statement/Solicitor: _____
 Address and Telephone No.: _____

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares (12/31/2012)	174,444,759

12. Are any or all of registrant's securities listed in a Stock Exchange?
 Yes X No _____

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

The Registrant's common shares are listed on the Philippine Stock Exchange.

PART I.

INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders.

Date: September 19, 2016

Time: 2:00 p.m.

Place: PNCC Complex, Km. 15, East Service Road, Bicutan, Parañaque City

The corporate mailing address of the principal office of the Registrant is PNCC Complex, Km. 15, East Service Road, Bicutan, Parañaque City.

The Information Statement will approximately be sent or given first to stockholders of record on 26 August 2016 or at least fifteen (15) business days before the meeting date.

Item 2. Dissenters' Right of Appraisal

Item 5 of the Agenda, the Board proposes the Amendment of the Fourth Article of the Articles of Incorporation to Extend the Corporate Term for 50 years from November 22, 2016. This item will entitle a shareholder to exercise a right of appraisal as provided under Section 81, Title X, of the Corporation Code of the Philippines ("Corporation Code").

Any stockholder of the Registrant shall have the right to dissent and demand payment of the fair value of his shares only in the following instances, as provided by the Corporation Code:

- (1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;
- (3) In case of merger or consolidation; and
- (4) In case of investments in another corporation, business or purpose.

The appraisal right when available, may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares; Provided, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. A stockholder must have voted against the proposed corporate action in order to

avail himself of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder upon surrender of his certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and Provided, Further, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

None of the officers or directors or any of their associates has any substantial interest, direct or indirect, in any of the matters to be acted upon in the stockholders' meeting.

No director has informed the Registrant in writing that he intends to oppose any action to be taken at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Number of shares outstanding as of 30 June 2016:

Common:	174,444,759
Preferred "D":	<u>25,500,000</u>
	<u>199,944,759</u>

(b) Record Date: 15 July 2016

Each common and preferred D share of stock of the Registrant is entitled to one (1) vote. Pursuant to Article IV, section 4.05 of the Registrant's Amended By-Laws, every holder of voting stock may vote for each share of stock standing in his name on the books of the Registrant, unless the law provides otherwise. Also Article IV section 4.07 provides that at all meetings of the Stockholders, a stockholder or by his duly authorized attorney-in-fact, only on forms prescribed by the Board of Directors and sealed with the Corporate Seal that, at his request,

shall be furnished to him by the Secretary of the Corporation, who shall keep a record of all stockholders to whom proxy forms have been issued. Such proxies should be acknowledged before the Secretary of the Corporation or a notary public, and shall be filed with the Secretary at least three (3) business days before the meeting.

Shares standing in the name of another corporation may be voted by such officer, agent, or proxy as the By-Laws of such provision, as the Board of Directors of such Corporation may, by resolution determine. A Certificate of the Secretary of such corporation attesting to the vote authority of the officer, agent or proxy to vote the stock standing in its name shall be conclusive on the right to vote said shares.

Shares held by an administrator, executor, guardian or judicial trustee may be voted by him, either in person or by proxy, without a transfer of such shares in his name, upon presentation to the Secretary of the certified true copy of the letters of administration, testamentary guardianship or trusteeship duly issued to him. Share standing in the voting trust or trustee may be voted by him, either in person or by proxy, but no such trustee shall be entitled to vote shares held by him without a transfer of such shares in his name.

Shares standing in the name of a receiver may be voted by such receiver, and shares held or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if his authority to do is contained in an appropriate order to the court by which such receiver was appointed.

A stockholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred to the name of the pledge; thereafter, the pledge shall be entitled to vote the shares so transferred.

Shares of its own stock belonging to the Corporation or held by it in a fiduciary capacity shall not be voted directly or indirectly at any meeting and shall not be counted in determining the total number of outstanding shares entitled to vote at any time.

Stockholders entitled to vote are also entitled to cumulative voting in the election of directors. Section 24 of the Corporation Code provides, in part, that: "...in stock corporations, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name on the stock books of the corporation, or where the by-laws are silent, at the time of the election; and said stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit..."

Security Ownership of Certain Beneficial and Management

Security ownership of certain record and beneficial owners of more than 5.0% of the Registrant's voting securities as of 30 June 2016:

Title of Class of Securities	Name/Address of Record Owners and Relationship with Registrant / Citizenship	Name of Beneficial Owner (Relationship with Record Owner)	Amount/Nature of Record Beneficial Ownership	Percent of Class
Common	PRIVATIZATION MANAGEMENT OFFICE 104 Gamboa St., Legaspi Village, Makati City Shareholder / Filipino	Record owner is also beneficial owner	79,271,024 / Direct	39.64%
Common	GOVERNMENT SERVICE INSURANCE SYSTEM Roxas Blvd., Pasay City Shareholder / Filipino	Record owner is also beneficial owner	47,490,383 / Direct	23.75%
Common	UNIVERSAL HOLDINGS CORP. CVCLAW Center, 11 th Ave. cor. 39 th St. Bonifacio Global City, 1634 Metro Manila Shareholder / Filipino	Record owner is also beneficial owner	24,780,746 / Direct	12.39%
Common	PCD Nominee Corporation 37/F Tower I The Enterprise Center, 1226 Ayala Avenue, Makati City Shareholder / Filipino	Please see note *	12,562,537 / Indirect	6.28%
Preferred D	PRIVATIZATION MANAGEMENT OFFICE 104 Gamboa St., Legaspi Village, Makati City Shareholder / Filipino	Record owner is also beneficial owner	25,500,000 / Direct	12.75%

NOTE:

* PCD Nominee Corporation is the registered owner of shares beneficially owned by participants in the Philippine Depository & Trust Corporation, a private company organized to implement an automated book entry system of handling securities transactions on the Philippines (PCD). Under the PCD procedures, when an issuer of a PCD-eligible issue will hold a stockholders' meeting, the PCD shall execute a pro-forma proxy in favor of its participants for the total number of shares in their respective principal securities account as well as for the total number of shares in their client securities account. For the shares in the principal securities account, the participant concerned is appointed as proxy, with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by such clients.

By virtue of LOI 1295 (1983) 76.14% of voting equity has been held by various government financial institutions (GFIs), namely: PNB, Phil Guarantee, NDC, DBP, GSIS, and Land Bank, under the mandated debt-to-equity conversion scheme.

Pursuant to Proclamation No. 50, some of the GFIs have actually transferred their equity interests in PNCC to the Asset Privatization Office (APT) now Privatization Management Office.

Only 23.86% of PNCC's voting equity is strictly under private ownership and 6.28% of which is being held by PCD Nominee Corporation. As of Record Date, the Registrant is not aware of any investor beneficially owning shares lodged with the

PCD which comprise more than five percent (5%) of the Registrant's total outstanding common shares of stock.

Security ownership of management as of 30 June 2016:

Title of Class	Name of Beneficial Owner/ Address	Citizenship	Amount/Nature of Record Beneficial Ownership	% to Total Outstanding
Common	Rosanna E. Velasco	Filipino	50 (Direct)	00.00%
Common	Luis F. Sison	Filipino	1 (Direct)	00.00%
Common	Cristino L. Panlilio	Filipino	1,456 (Direct)	00.00%
Common	Tomas C. Alvarez	Filipino	101 (Direct)	00.00%
Common	Antonio T. Pido	Filipino	50 (Direct)	00.00%
Common	Nora O. Vinluan	Filipino	2 (Direct)	00.00%
Common	Rosendo T. Capco	Filipino	10 (Direct)	00.00%
Common	Robert G. Vergara	Filipino	50 (Direct)	00.00%
Common	Elpidio C. Jamora, Jr.	Filipino	1 (Direct)	00.00%
Common	Tomas C. Falgui II	Filipino	100 (Direct)	00.00%
Common	Elisea G. Gozun	Filipino	50 (Direct)	00.00%
Common	Janice Day E. Alejandrino	Filipino	6 (Direct)	00.00%
Common	Yolanda C. Mortel	Filipino	13 (Direct)	00.00%
Total			1,890	00.00%

Except as aforementioned, no other officers of the Registrant hold, directly or indirectly, shares in the Registrant.

Changes in Control

The Registrant is not aware of any voting trust agreements or any other similar agreements which may result in a change in control of the Registrant. No change in control of the Registrant has occurred since the beginning of its last fiscal year.

Item 5. Directors and Executive Officers of the Registrant

Term of Office

Each director holds office until their successors are elected and qualified in accordance with the By-Laws of the corporation except in case of death, resignation, disqualification or removal from office.

Background Information

The following are the names, ages and citizenship of the incumbent directors of the Registrant

Name	Age	Position	Citizenship
Elpidio C. Jamora, Jr.	62	Chairman of the Board	Filipino
Luis F. Sison	73	Director, President & CEO	Filipino
Tomas C. Alvarez	84	Director	Filipino
Rosendo T. Capco	66	Director	Filipino
Tomas C. Falgui II	55	Director	Filipino
Elisea G. Gozun	64	Director	Filipino
Cristino L. Panlilio	65	Director	Filipino
Antonio T. Pido	61	Director	Filipino
Rosanna E. Velasco	58	Director	Filipino
Nora O. Vinluan	75	Director	Filipino
Robert G. Vergara	55	Director	Filipino
Toni Angeli V. Co	36	Director, Ex-Officio	Filipino

The following are the names, ages and citizenship of the Registrant's executive officers in addition to its executive and independent directors listed above as of 30 June 2016.

Name	Age	Position	Citizenship
Renato M. Monsanto	65	Asst. Corporate Secretary	Filipino
Janice Day E. Alejandrino	62	Senior Vice President for Human Resource and Administration	Filipino
Miriam M. Pasetes	64	Vice President - Corporate Treasurer	Filipino
Yolanda C. Mortel	61	Vice President for Materials Management & Asset Disposal	Filipino
Henry B. Salazar	46	Asst. Vice President & Corporate Legal Officer	Filipino
Felix M. Erece	55	Assistant Vice President - Corporate Controller	Filipino

The following states the business experience of the incumbent directors and officers of the Registrant for the last five (5) years:

ELPIDIO C. JAMORA, JR., Chairman, is the President of Epsilon Maritime Services, Inc., Camnorte Ezone Realty, Inc., Impress Land, Inc. and Bandera Realty, Inc. He serves as Director of Himawari International Promotion, Inc., Indo Phil Acrylic Mfg. Corp., Indo Pil Cotton Mills, Inc. Mahaveer Philippine Foundation, Inc. and Exquisite Focus, Inc. He is a Managing Partner and Founding Member of Carag, Jamora, Somera & Villareal Law Offices. He earned his Bachelor of Arts, major in Political Science degree, from the Lyceum of the Philippines in 1977. He earned his Bachelor of Laws degree from the University of the Philippines in 1982 and became a member of the Philippine Bar in 1983.

LUIS F. SISON, President/Director, was the Chairman of the Philippine Retirement Authority from August 1992 up to June 10, 1998. He served as Presidential Assistant for Legal & Judicial Affairs, with the rank of Undersecretary, in the Office of the President from July 15, 1992 until June 30, 1998. He served as

Chairman & President of PNCC from March 2001 until June 2002 & as its President from June 2002 until October 2002, and again, from January 11, 2011 until today. He earned his B.S. Political Science degree in 1963 & his Bachelor of Laws degree from the Ateneo de Manila University in 1967. He passed the Philippine Bar Examinations given the same year.

TOMAS C. ALVAREZ, Director, has been the Chief Financial Officer of Seafront Resources Corp. from 1992-94. He served in various capacities in the SGV & Co. starting in 1958 as a member of an audit team. He then served as the Branch Manager of SGV Iloilo starting 1964, was assigned to SGV Bangkok from 1970-1980 & retired in 1989 as head of the SGV Philippine Branches. He served as a Consultant to the Columbian Motors Group of Companies from 1995-2009. He earned his Bachelor of Science degree, major in Accounting from the University of San Jose-Recoletos in 1957 & passed the CPA Board in 1958.

ROSENDO T. CAPCO, Director, has served as President of the Integrated Bar of the Philippines (IBP), Rizal Chapter, & as Chairman of the IBP-Rizal Legal Aid Program for Poor Litigants in 1999-2000. He also served as Chairman of the Metro Manila Local Amnesty Board in 199-2001. He was elected twice as Mayor of the Municipality of Pateros - for terms 2001-2004 & 2004-2007. He is presently a Managing Partner of the Capco, Campanilla & Santos Law Firm. He earned his B.S. Business Administration degree in 1972 & his Bachelor of Laws degree in 1977 from the University of the East. He passed the Philippine Bar in 1978.

ELISEA G. GOZUN, Director, graduated with a Bachelor of Arts from Southwestern University in Cebu City in 1976. She completed units for a Master's degree in Environmental Management at the Philippine Women's University in 1996. She was conferred Doctor of Environmental Management (*Honoris Causa*) by Ramon Magsaysay Technological University in 2004 and by Xavier University in 2008.

Aside from her current work at the GSIS as Trustee, she serves as Consultant to several World Bank projects including the Climate Public Expenditure and Institutional Review, Phil-Wealth Accounting and Valuation of Ecosystem Services, and Green Print 2030 Phase II. She is also a consultant to AECOM, which is a contractor for the United States Agency for International Development on the Climate Resiliency Team Leader, Be Secure Project. She has also worked with various UN Bodies, ADB, National Government Agencies and Local Government Units.

CRISTINO L. PANLILIO, Director, served as Undersecretary of the Department of Trade and Industry until January 30, 2013, handling the Board of Investments, Bureau of Export Trade Promotion, Center for International Trade Expositions and Missions, Foreign Trade Services Corps., Garments & Textile Industry Development Office, Philippine International Trading Corporation and the Philippine Trade Training Center. He earned his AB Economics & Master in Business Administration degrees from the Ateneo de Manila University in 1973 and 1981, respectively. He

also completed in 1984 the Advance Management Program from the Wharton School of Finance.

ANTONIO C. PIDO, *Director*, is currently a Senior Partner of the Siguion Reyna, Montecillo & Ongsiako Law Offices from 1994 until today. He was a Partner in the Pido, Quimbo & Guades Law Office from December 1991 until December 1993. He served as Labor Arbiter at the National Labor Relations Commission from June 1986 until May 1991. He obtained a degree in Bachelor of Science in Commerce from the Colegio de San Jose-Recoletos in 1976 and in Bachelor of Laws from the University of the Philippines in 1982 and passed the Philippine Bar examinations given in the same year.

ROSANNA E. VELASCO, *Director*, served as the Academics and Programs Director of the Center for Autism and Related Disorders Phils. - Professionals for Autism Foundation, Inc. from May 2005 - May 2007 and November 2012 until today, respectively. Ms. Velasco is the owner of RME Publishing since September 12, 2012, and she is serving as Director of Intelconsult Corp. starting June 2011. She was engaged as Senior Consultant in the Corporate Achievers Institute from May 2010 until November 2012. She completed the degree of Bachelor of Science in Commerce, Major in Accounting, Minor in Management of Financial Institutions in 1979 and is a candidate for the degree of Masters in Education-Special Education at the De La Salle University.

ROBERT G. VERGARA, *Director*, graduated with double degrees in Management Engineering and Mathematics from Ateneo de Manila University (Magna Cum Laude). In 1986, he obtained his Master's degree in Business Administration from Harvard Graduate School of Business Administration, with concentration on general management, finance and corporate strategy.

Prior to his appointment as President and General Manager and Vice Chairman of the GSIS Board of Trustees, he was the Managing Director and Founding Partner of Cannizaro (Hong Kong) Capital Partners Limited. He spent most of his career in Hong Kong where he was also a Trader of IFM Trading Limited, Managing Director of IFM Asia Limited, Principal of Morgan Stanley Dean Witter Asia Limited, Director of Dresdner Kleinwort Wasserstein Securities (Asia) Limited, Managing Director of Lionhart (Hong Kong) Limited.

NORA S. VINLUAN, *Director*, is a Trustee of the Multi-Saving and Loan Association, the Vice-Chairman of the Schuylkill Assets Strategists, the Executive Vice-President of the Asset Custody & Resolution Managers, Inc. She was Consultant to the Philippine Bank of Communications (2003-2005), Eastern Telecommunications Philippines, Inc. (1999-2002), & Hydro-Resources Contractors, Inc. (1985-1986) & was the Treasurer & Vice President for Finance of the Construction & Development Corp. of the Philippines (now PNCC) from 1980-1986. She obtained her degree in Bachelor of Science in Business Administration, *Cum Laude*, from the University of the Philippines in 1961 & her Master of Arts (Economics) from Syracuse University in 1965.

TONI ANGELI V. COO, Director, Ex-officio, was an Associate of Lim and Leynes Law Offices from 2007 to 2010 and of Roque and Butuyan Law Offices from 2011 to 2012. She served as a Legal Counsel for Privatization and Management Office from January 2012 to July 2013 and as its Deputy Privatization Officer (DPO) for PMO's Marketing from August 2013 to present and DPO for Legal Division from August to November 2013. She became PMO's Officer in Charge of Office of the Chief Privatization Office from November 2013 to April 2015, then as Chief Privatization Officer starting May 2015 until today. She earned her Bachelor of Laws degree from the University of the Philippines in 2006 and her Bachelor of Arts major in Social Sciences from Ateneo de Manila University in 2002. She passed the Philippine Bar in 2007.

RENATO M. MONSANTO, Asst. Corporate Secretary, holds a B.S. Journalism degree from Lyceum and reached two years legal education in UST. He has worked in the PNCC Corporate Secretariat for the past 15 years. His first tenure of 11 years started in June 1995 as Legal Assistant with the rank of Assistant Manager assigned at the Corporate Legal Division; in October 1995 concurrently as Assistant Corporate Secretary, he was transferred to the Office of the Chairman in January 1997 in the same capacity, until his promotion in rank as Manager since January 2004 to March 2006 when he applied for voluntary retrenchment due to downgraded corporate activities. Also in concurrent capacities, he served as Corporate Secretary and/or Assistant Corporate Secretary since October 1995 up to March 2006 in the following PNCC Group of Companies: Dasmarinas Industrial & Steelworks Corporation, Traffic Control Products Corporation, Tierra Factors Corporation, CDCP Farms Corporation, and PNCC Skyway Corporation. In 2011, he rejoined PNCC and was assigned in the Legal Division up to the present.

JANICE DAY E. ALEJANDRINO, Senior Vice President for Administration and Property Management, has served PNCC since 1997 in the area of human resource and administrative services. She is now the Compliance Officer of the company and has earlier served as the Lead Internal Auditor for the company's Quality Management System. She has earned her degrees in B.S. in Hygiene and M.A. in Asian Studies from the University of the Philippines in 1975 and 1984, respectively. She completed the academic requirements of 36 units for a degree in Master of Arts in Economic Research from the University of Asia and the Pacific from 1984-1986. She has been engaged as a resource person in various government institutions in the area of training and systems development.

MIRIAM M. PASETES, Vice President & Corporate Treasurer, has served PNCC since 1977 until today in various capacities in the field of finance. She started as a Management Economics and Financial Analyst 1 in 1977 and moved up to the position of Corporate Finance Officer in 1998 with the rank of Senior Vice President. She was promoted to the rank of Vice President and Senior Vice President. In February 2004 and May 2005, respectively. She now serves as Corporate Treasurer. Ms. Pasetes graduated *Cum Laude* with a degree in Bachelor of Science in Commerce from Centro Escolar University in 1972.

YOLANDA C. MORTEL, Vice President for Materials Management & Asset Disposal, joined the company in 1975 and rose from the ranks to become the Head of the Materials Management Division from March 2001 up to the present. She has continued to serve as Head of the Asset Disposal Task Force from January 2004 and as Head of the Technical Working Group of the PNCC Bids and Awards Committee from 2005. She also has served as Director of CDCP Employees Salary and Loan Association from 2001 until today. She obtained her degree in Bachelor of Science in Education in 1975 from J. Rizal College of Taal, Batangas.

HENRY B. SALAZAR, Asst. Vice President & Corporate Legal Officer, obtained his Bachelor of Laws degree from Arellano Law School in 1996. He was admitted to the Philippine Bar after passing the 1996 Bar Examinations. He has a degree in AB Economics from San Beda College where he graduated in 1991.

He headed the Litigation Department of PNCC until he was retrenched in June 2011. He rejoined PNCC a month after. At present, he is the Corporate Legal Officer of PNCC, with the rank of Assistant Vice President. He previously served as Trust Attorney in the Asset Privation Trust from July 1997 to December 2000.

FELIX M. ERECE, Asst. Vice President for Personnel Services and Records Management is the Head of Personnel Services and Records Control. In addition, he was tapped to oversee the operation of manpower supply contract with SOMCO (Skyway Maintenance and Operation) and the manpower requirements of Philphos Project in Leyte previously handled by the dissolved DISC Management.

He completed his elementary and high school education at Timoteo Paez Integrated Pilot School, a public school in Tondo, Manila. He studied in TUPP-Manila Technician Institute taking up a three-year Civil Technology course sponsored by PBSP. He also studied Civil Engineering at Feati University, took-up various computer related courses and attended trainings/seminars to equip him with the knowledge and skills needed in handling bigger responsibilities.

Board Meeting Attendance

		No. of Meetings Attended in 2013 (Total No. of Meetings: 20)	No. of Meetings Attended in 2014 (Total No. of Meetings: 16)	No. of Meetings Attended in 2015 (Total No. of Meetings: 17)
Directors Name				
Chairman	Elpidio C. Jamora, Jr. ^a	7	16	17
Member	Luis F. Sison	20	15	15
Member	Tomas C. Alvarez	16	14	17
Member	Rosendo T. Capco	20	16	17
Member	Tomas G. Falgui II ^b	5	9	8
Member	Elisea G. Gozun ^c	4	8	11
Member	Cristino L. Panlilio ^a	7	15	12
Member	Antonio C. Pido	19	14	10
Member	Rosanna E. Velasco ^a	7	14	14
Member	Robert G. Vergara ^c	3	10	6
Member	Nora O. Vinluan	20	16	16
Resigned:				
Acting Chairman	Jose Vicente C. Bengzon ^d	13		

Member	Thomas G. Aquino ^a	7
Member	Elmer C. Hernandez ^b	9
Member	Rodolfo C. Naguit ^c	7
Member	Roman Felipe S. Reyes ^f	14

Legend:

- a - appointed to the Board on September 30, 2013
- b - appointed to the Board on October 8, 2013
- c - appointed to the Board on October 14, 2013
- d - resigned to the Board on September 30, 2013
- e - resigned to the Board on June 30, 2013
- f - resigned to the Board on October 14, 2013

Some of the incumbent Directors named-above, have been elected during the organization meeting on January 11, 2011, while others were elected on various dates in October 2013. While all of them are on hold-over status until the appointment of their replacement by the Office of the President of the Philippines, all of them have been nominated for re-election to the Board of Directors by the Governance Commission for GOCCs (GCG).

Ms. Virginia G. Madrona, is stockholder who is not in any way related to the nominees, nominated to the Board the election of Mr. Roberto S. Cuenca, Mr. Rafael S. Cuenca and Mr. Feliciano M. Coquia, Jr. as independent directors. Mr. Roberto S. Cuenca and Mr. Rafael S. Cuenca are brothers.

Meanwhile, Ms. Janice Day E. Alejandrino, an executive officer of the Company, is also a stockholder and not in any way related to the nominees, nominated to the Board the election of Mr. Edgardo L. Ylo and Mr. Dominador M. Cruz as independent directors.

The Nomination Committee in its meeting on August 18, 2016 disqualified Mr. Roberto S. Cuenca and Mr. Rafael S. Cuenca as nominees for independent directors as they did not meet the requirements of Section 17.2 of the SRC. The father of Cuenca brothers, Mr. Rodolfo Cuenca, beneficial owner of shares of Cuenca Investments and Universal Holdings, Inc. which collective shares is more than 10% of common shares of its equity security.

The final list of candidates for independent directors includes Mr. Coquia, Mr. Ylo and Mr. Cruz as they met the required qualifications.

The following states the business experience of the last five (5) years of the nominees for independent directors:

EDGARDO L. YLO was appointed Executive Vice President of the Philippine National Construction Corporation from 1997 thru 1999. Before then, he served in various capacities in the company, handling various construction activities. Among others, he served as Division Manager for Concrete Products (1975-1976); as Group Manager for System Construction Group (1977-1980); concurrently as area Manager for South East Asia Operation and as Executive Director for Asiavest-CDCP, both based in Kuala Lumpur (1980-1982), as General Manager of Dasmarinas Steel Corporation (1983-1985) and as Division Manager for Construction Products (1985-1988). He also served as Manager, Construction Management Services of San

Miguel Corporation (1988-1997). In 1960, he completed his Bachelor of Science in Chemistry from the Adamson University and his Bachelor of Science in Civil Engineering from the Polytechnic Colleges of the Philippines in 1965. He is a candidate for Master of Business Administration in Ateneo de Manila University.

FELICIANO M. COQUIA, JR. is the President of J-JAC Holdings Corporation and Purity Seafoods International from 1987 until today. He is also a Financial and Management consultant to MSEs from 1990 until today. He also served as Vice President and CFO of Neleh Foods, Inc. based in California, USA. He also served as Senior Manager of PNCC from 1974 to 1986. He graduated with the degree of Bachelor of Science in Commerce, Major in Accounting from University of Sto. Tomas in 1970. He was a candidate for Masters in Business Administration in Ateneo Graduate School of Business in 1978.

DOMINADOR M. CRUZ is the Chairman of Riofil Corporation from 1988 until today and President/Chairman of Stracons, Inc. from 1981 until today. He served as Assistant Vice President of CDCP (now PNCC) in charge also of Operations Center and Industrial Construction Division from 1980 to 1981, in charge of Building Construction Department and Building Allied Construction Division from 1978 to 1979, Area Manager for Port Gentil Redevelopment Project in Libreville, Gabon, Africa from 1977 to 1978. He obtained his Bachelor of Science in Civil Engineering degrees from Polytechnic Colleges of the Philippines (now Central Colleges of the Philippines) in 1959 and passed the Civil Engineering board in the same year.

The Revised Manual on Corporate Governance (RMCG) of the Registrant as approved by the PNCC Board during its meeting held on March 22, 2011 in compliance with the SEC Memorandum Circular No. 6 Series of 2009 conforms to SRC Rule 38 with regard to the nomination of independent directors of the Registrant. Article 2.1 and 2.7.2 of RMCG provides:

"2.1 Composition of the Board

- 2.1.1. The Board shall be composed of eleven (11) members who are elected by the stockholders entitled to vote at the annual meeting and shall hold office until their successors are elected and qualified in accordance with the By-Laws of the corporation. The corporation shall have at least two (2) independent directors.
- 2.1.2. The membership of the Board may be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision making process. The non-executive directors should possess such qualifications

stature that would enable them to effectively participate in the deliberations of the Board.

...

2.7.2 Nomination Committee

The Nomination Committee shall be composed of at least three (3) voting Directors, one of whom must be an independent director. The committee shall have the following functions:

2.7.2.1 It shall review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval.

2.7.2.2 It shall assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

2.7.2.3 It shall consider the following guidelines in the determination of the capability of a director to serve as such:

- a. The nature of the business of the corporation of which he is a director.
- b. Age of the director.
- c. Number of directorship/active memberships and officers in other corporations or organization; and
- d. Possible conflict of interest.

Any optimum number of directorships shall be related to the capacity of a director to perform his duties diligently in general.

On the other hand, SRC Rule 38, as amended, provides in part as follows:

"8. Nomination and Election of Independent Director/s

The following rules shall be applicable to all covered companies:

- A. The Nomination Committee (the "Committee") shall have at least three (3) members, one of whom is an independent director. It shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the Registrant's information or proxy statement or such other reports required to be submitted to the Commission.
- B. Nomination of independent director/s shall be conducted by the Committee prior to a stockholders' meeting. All recommendations

shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.

- C. The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.
- D. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV (A) and (C) of Annex "C" of SRC Rule 12, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Registrant is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.
- E. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' /membership' meeting."

The Registrant has not complied with the guidelines on the nomination and election of independent directors set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code. Since the election of the incumbent Board members in January 2011, there was no stockholders' meeting held. Hence, no independent directors could have been elected. The Nomination Committee is composed of Director Rosendo T. Capco as Chairman and Directors Antonio C. Pido and Cristino L. Panlilio as members.

No Director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting due to disagreement with the Registrant on any matter relating to the Registrant's operations, policies or practices.

The Registrant has no other significant employee other than its Executive Officers.

Luis F. Sison and Ms. Patricia Louise S. Punsalan, who are both employees of the Company, are father and daughter. Ms. Punsalan's employment has been approved through a resolution passed by the Board of Directors. Directors Robert G. Vergara and Tomas C. Falgui II are related by affinity within the second civil degree (Falgui having been married to Vergara's sister, who is now deceased).

The Registrant has not had any transaction during the last three (3) years in which any Director or Executive Officer or any of their immediate family members has a direct or indirect interest.

None of the aforementioned Directors or Executive Officers is or has been involved in any criminal or bankruptcy proceeding, or is or has been subject to any judgment of a competent court barring or otherwise limiting his involvement in any type of business, or has been found to have violated any securities laws during the past five (5) years and up to the latest date.

Item 6. Compensation of Directors and Executive Officers

The compensation for the executive officers of the Registrant for the years 2014 and 2015 (actual) and 2016 (projected) are shown below:

Names	Position	Year	Salary	Bonus	Others
Luis F. Sison	President & CEO				
Janice Day E. Alejandrino	Senior Vice President for Human Resource and Administration				
Yolanda C. Mortel	Vice President for Materials Management				
Miriam M. Pasetes	Vice President - Acting Treasurer				
Felix M. Erece	Assistant Vice President - Personnel Services & Records Management				
Aggregate executive compensation for above named officers		Actual 2014	₱10.732M	₱944K	₱1.938M
		Actual 2015	₱10.732M	₱944K	₱1.094M
		Projected 2016	₱10.732M	₱944K	₱1.3294M
Aggregate executive compensation of all other officers and directors, unnamed		Actual 2014	₱2.134M	N/A	₱620K
		Actual 2015	₱1.978M	N/A	₱534K
		Projected 2016	₱3M	N/A	₱1.508M

Standard arrangement

The Board adopts Executive Order (E.O.) No. 24, prescribing rules to govern the compensation of members of the board of directors/trustees in Government-Owned or Controlled Corporations including Government Financial Institutions. Effective June 1, 2013, the Governance Commission for Government-Owned and Controlled Corporations (GCG), in its letter dated May 27, 2013 determined the Company to be under classification "D". The entitlement of the members of the Board of Directors for actual attendance of meeting are as follows:

Board meetings: ₱10,000.00 per meeting but not to exceed the maximum annual amount of ₱240,000.00. The Board in its meeting on July 18, 2016 adopted GCG's Memorandum Circular No. 2016-01, Compensation Framework for Members of the GOCC Governing Board, Appointive Board Chairperson may receive at most 20% more than the *per diem* rate set for the other Appointive Directors.

Committee meetings: ₱6,000.00 per meeting but not to exceed the maximum annual amount of ₱144,000.00. The Board in its meeting on July 18, 2016 adopted GCG's Memorandum Circular No. 2016-01, Compensation Framework for Members of the GOCC Governing Board, Committee Chairperson may receive at most 20% more than the *per diem* rate set for the other Appointive Directors.

The Directors furthermore receive the following allowances:

Transportation & Gasoline: ₱1,000.00 per meeting subject to submission of receipts, including normal /ordinary vehicle maintenance costs and gasoline expenses but not to exceed ₱60,000.00 per annum.

Communication: ₱2,000.00 per month subject to submission of telephone/celphone bills or receipts, but not to exceed ₱24,000.00 per annum.

RFID: ₱5,000.00 per month subject to submission of receipts but not to exceed ₱60,000.00 per annum.

Other arrangements

Other than payment of reasonable *per diem* for directors for every meeting, there are no standard arrangements pursuant to which directors of the company are compensated, or are to be compensated, directly or indirectly by the Company's subsidiaries, for any services provided as a director for 2013, 2014, and 2015.

Employment contract between the company and executive officers

Other than the service contract between the Company and the Corporate Secretary, there are no special employment contracts between the company and the named executive officers.

Warrants and options held by the executive officers and directors

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

Significant employee

While the Company values the contribution of each of its executive and non-executive employees, the Company believes there is no non-executive employee that the resignation or loss of whom would have a material adverse impact on the business of the Company. Other than standard employment contracts, there are no special arrangements with non-executive employees of the Company.

Material Pending Legal Proceedings

The Corporation is involved in continuing litigations relating to labor and civil cases. The labor cases consist of those filed against the Corporation comprised mostly of claims of illegal dismissal, back wages, and separation pay. The civil cases filed by or against the Company involve breach of contract, damages, collection of money, and attorney's fees.

Notable among the cases filed against the Company is the claim of PMO that amounts to ₦5.55 billion. PNCC's debt remains unconverted as it is the Company's position, as supported by the Office of the Solicitor General (OSG) opinion dated August 23, 2007, that based on LOI 1295, which was a special law promulgated to rehabilitate the Company, the debts have effectively been converted to equity and therefore, should no longer incur interest charges.

On the other hand, the PMO, still considers these unconverted debts as liabilities, claiming the total amount of ₦57.919 billion as of December 31, 2015, inclusive of accumulated interest charges and penalties amounting to ₦52.407 billion.

These ₦ 52.407 billion accumulated interest charges and penalties have not been recognized in the books of the Company based on the following reasons:

- The Supreme Court (SC) itself had recognized the validity of LOI 1295 and that it still legally exists today;
- The failure to convert all debts to equity is considered an administrative matter;
- The ₦5.55 billion is not a debt but simply represents unissued shares of stocks awaiting actual conversion to equity pursuant to LOI 1295 and, as such, continued imposition of interest and penalties is not warranted.

The above position of the Company is supported by the OSG and the Office of the Government Corporate Counsel (OGCC).

In view of the conflicting views in the treatment of the ₦5.55 billion unconverted debt to equity, PNCC and the PMO agreed to submit the matter to the DOJ for arbitration. The DOJ in its February 18, 2014 consolidated decision dismissed PNCC's Petition against PMO. PNCC filed a Motion for Reconsideration (MR) dated March 13, 2014, duly received by the DOJ on March 14, 2014. PNCC prayed that the DOJ reconsider its decision consolidating the cases between the NDC and PNCC and the case between PMO and PNCC being not proper and for the DOJ to decide on the two (2) cases separately and to:

- Render judgment declaring that the interest and penalty charges being imposed by PMO on the actual outstanding debt of PNCC to the NG is without basis and violate LOI 1398;
- Declare that PNCC's outstanding debt to the NG is only in the amount of ₦5.55 billion, representing the amount of the unconverted debt-to-equity obligation to the GFIs; and
- Require or direct the debt-to-equity conversion of the ₦5.55 billion debt of PNCC pursuant to the clear and explicit instructions under LOI 1295.

On January 22, 2015, the DOJ denied PNCC's MR. Thereafter, PNCC filed a Supplement to the MR on May 28, 2015 which was also denied by the DOJ in its order dated July 13, 2015. On June 26, 2015, PNCC filed a Notice of Appeal with

the Office of the President of the Philippines (OP) and filed the corresponding Appeal Memorandum on July 27, 2015, where the matter is now pending.

Independent Public Accountants

The Corporation has no independent public accountant but is subject to post-audit by the Commission on Audit ("COA"). The aggregate audit fees billed for the assigned COA Audit Team to the Company for the last three calendar years are ₱2,487,475.00 for CY 2013, ₱2,487,475.00 for 2014 and ₱2,168,438.00 for 2015.

PNCC being a Government Acquired Asset since 1986, is under the audit jurisdiction of the Commission on Audit (COA) and up to now, COA is the independent (external) auditor of PNCC. The assignment of COA Directors/Audit-in-Charge and staff is purely the prerogative/decision of the COA Chairman.

The Audit Engagement is covered by a Term of Reference (TOR) executed by PNCC and COA to the joint Audit and Finance Committee for information/notation.

The appointment, approval or ratification of the registrant's public accountant shall be discussed during the Annual Meeting.

Representatives of COA are expected to be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and they are expected to be available to respond to appropriate questions.

There are no changes in or disagreements with accountants on accounting and financial disclosure.

Audit Committee's Approval Policies and Procedures

In relation to the audit of the Registrant's annual financial statements, the Registrant's Revised Corporate Governance Manual provides that the audit committee shall among other activities, (1) review the reports submitted by the internal and external auditors and (2) review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters: any changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, compliance with tax, legal and regulatory requirements. The Audit Committee of the Registrant is composed of Director Rosanna E. Velasco, Chairman and Directors Tomas C. Alvarez and Nora O. Vinluan as members.

Tax Fees

Except as stated above, the Registrant did not pay any tax fees and other fees to its external auditors.

Other Matters

Action with Respect to Reports

There are no acts of PNCC Board of Directors and Management that need stockholders ratification.

Other Proposed Actions

1. Amendment of the Fourth Article of the Articles of Incorporation to Extend the Corporate Term for 50 years from November 22, 2016
2. Election of Directors, including Independent Directors.

Voting Procedures

The election of the Board of Directors, as well as the appointment of the external auditors shall be decided by the plurality vote of stockholders present in person and entitled to vote thereat, provided that quorum is present.

Voting shall be by ballot unless the number of nominees does not exceed the number of directors to be elected in which case, voting by ballot may be dispensed with. Each ballot shall be signed by the stockholder voting, and shall state the number of shares voted by him.

The following are the rules of conduct and procedures:

1. The polls are open for the stockholders to cast their votes manually.
2. A stockholder may vote manually using the ballot provided to him upon registration and placing the voted ballot in the ballot boxes located at the registration table.
3. Each outstanding share of stock entitles the registered holder to one vote.
4. In general, the stockholders act by the affirmative vote of stockholders representing at least a majority of the outstanding and voting capital stock present at the meeting.
5. For the amendment of the Fourth Article of the Articles of Incorporation, the affirmative vote of stockholders representing at least two-thirds (2/3) of the outstanding capital stock is required.
6. The Election of the directors shall be by plurality of votes. Every stockholder shall be entitled to cumulate his vote.
7. The stockholders may cast their votes anytime during the meeting.
8. All votes received shall be tabulated by the Office of the Corporate Secretary, and the results of the tabulation shall be validated by Commission on Audit (COA) - Audit Team.
9. During the meeting, as the stockholders take up an item on the Agenda, the Corporate Secretary will report the votes already received and tabulated on that item.

PART II.

MANAGEMENT REPORT

I. FINANCIAL STATEMENTS

The Financial Statements of the Registrant as of and for the year ended December 31, 2015 are incorporated herein in the accompanying Index to Financial Statements and Schedules.

II. INFORMATION ON INDEPENDENT ACCOUNTANT

PNCC being a Government Acquired Asset since 1986, is under the audit jurisdiction of the Commission on Audit (COA) and up to now, COA is the independent (external) auditor of PNCC. The assignment of COA Directors/Audit-in-Charge and staff is purely the prerogative/decision of the COA Chairman.

The Audit Engagement is covered by a Term of Reference (TOR) executed by PNCC and COA to the joint Audit and Finance Committee for information/notation. Usually, the audit shall cover transactions for the current year under review and shall include amounting or reporting area as follows:

1. Accounting books record
2. Recorder Financial and property
3. Compliance with the prior year's Audit recommendation

III. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Year End 2015 vs. Year End 2014 **(as restated)**

Results of Operations

Revenue. Revenue for the year ended December 31, 2015 stood at ₱227.693 million, higher by 17.91% or ₱34.581 million compared to ₱193.112 million for the year ended December 31, 2014. The increase was mainly attributable to the recognized revenue and dividend share from the Joint Venture Companies and rental income from the leased Financial Center Area (FCA) property.

General and Administrative Overhead. Overhead account decreased by 63.95% or ₱112.343 million from ₱175.686 million for the year ended December 31, 2014 to ₱63.343 million for the year ended December 31, 2015 due mainly to the provision of allowance for doubtful accounts made in 2014. No major allowances were provided for 2015.

Income from Operation. Income from operation for the year ended December 31, 2015 increased by ₱138.711 million, higher by 796.01% or ₱156.137 million compared

to the December 31, 2014 figure of ₱17.426 million. Said favorable variance was the resulting effect of the reasons discussed above.

Other Income (Charges). This account posted a balance of ₱244.934 million for the year ended December 31, 2015 compared to the amount of ₱21.713 million for the year ended December 31, 2014. The increase was mainly due to the recognition of gain in change in fair value of investment property account in 2015.

Net Income (Loss). Net Comprehensive Income for the year ended December 31, 2015 amounted to ₱235.178 million compared to the net loss of ₱218.863 million for the year ended December 31, 2014. The favorable variance was likewise due to the recognition of the gain in change in fair value of investment property and the favorable increase in Revenue.

Financial Position

Current Assets. Current assets increased by 29.26% or ₱252.757 million from ₱863.688 million as of December 31, 2014 to ₱1.116 billion as of December 31, 2015 mainly due to the cash flows provided by the Company's operating and investing activities.

Current Liabilities. Current liabilities increased by 2.89% or ₱263.389 million from ₱9.127 billion as of December 31, 2014 to ₱9.391 billion as of December 31, 2015 mainly due to the accrual of the 2% penalty charges on unpaid concession fee payable to the Toll Regulatory Board (TRB).

Stockholder's Equity (Capital Deficiency). Stockholder's equity improved to ₱87.272 million as of December 31, 2015 against a Capital deficiency as of December 31, 2014 of ₱146.995 million. The significant increase in the account is mainly attributable to the recognized gain in change in fair value of investment property in 2015.

Presented hereunder is the discussion of the Company's key performance indicators:

Performance Indicators	As of		Explanation
	12/31/2015	12/31/2014 (As Restated)	
<u>Current/Liquidity Ratios</u>			
<u>Current Ratio</u> (Current Assets Divided by Current Liabilities)	0.12	0.095	This ratio evaluates the ability of the company to pay its current debt promptly. Current ratio of 0.12 as of December 31, 2015 is an improvement from 2014 of 0.095 mainly due to additional operating revenues and the liquidation of 50% investment in a subsidiary.
<u>Solvency Ratios</u>			
<u>Debt to Assets</u> (Total Liabilities Divided by Total Assets)	99.33%	101.18%	Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is financed by debts. The ratio has improved from 101.18% as of December 31, 2014 to 99.33% as of December 31, 2015. This improvement was caused by additional operating revenues that off-set the yearly 2% penalty charges on unpaid concession fees.
<u>Debt to Equity</u> (Total Liabilities Divided by Total Equity)	14867.87%	-8554.95%	Shows the proportion of the creditors' capital to the business' total capital. Measures the degree to which the assets of the business are financed by the debts and stockholders of the business. The ratio of 14867.87% as of December 31, 2015 vis-à-vis the negative ratio of -8554.95% as of December 31, 2014 resulted mainly from the reversal of the capital deficiency balance of ₱146.995 million as of December 31, 2014 to a positive stockholder's equity of ₱87.272 million as of December 31, 2015.
<u>Asset to Equity Ratio</u> (Total Assets Divided by Total Equity)	14967.87%	-8454.95%	Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts. The significant improvement of the ratio from -8454.95% as of December 31, 2014 to a positive ratio of 14967.87% as of December 31, 2015 is due to the aforesaid reversal of the capital deficiency balance to a positive stockholder's equity.
<u>Interest Rate Coverage Ratio</u> (Income Before Interest/Penalty)	1.55	0.15	Determines how easily a company can pay interest on outstanding debt. The ratio increase from 0.15 as of December 31, 2014 to 1.55 as of December 31, 2015 due to recognition of income resulting from the gain in change in fair value of investment property for the year ended 2015.
<u>Profitability Ratios</u>			
<u>Return on Assets</u> (Net Income (Loss) Divided by Total Assets)	1.80%	-1.76%	Measures the Company's earnings in relation to all the resources it had at its disposal. The ratio of 1.80% as of December 31, 2015 vis-à-vis the negative ratio of -1.76% resulted from the recognition of comprehensive income for the period ended December 31, 2015 in the amount of ₱235.178 million (mainly due to the gain in change in fair value of investment property and movement in revaluation increment) against the net loss of ₱218.863 as of December 31, 2014.
<u>Return on Equity</u> (Net Income (Loss) Divided by Total Equity)	269.48%	-148.89%	Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owners' capital. The increase in the ratio from -148.89% to 269.48% is attributable to the reversal of the capital deficiency for the year ended December 31, 2014 to a positive stockholder's equity in December 31, 2015.

- (i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. Indicate course of action that the Company has taken or proposes to take to remedy the deficiency.
 - i.a The Company's inability to settle its outstanding obligations with the Toll Regulatory Board and the National Government brought about by the difficulties in collecting its receivables from various government agencies.
 - i.b Pending labor cases which consist of those filed against the Company involving dismissal, backwages, and separation pay. Most of these cases have been ruled by the Labor Arbiter in favor of the complainants and are pending appeal by the Company before the National Labor Relation Commission (NLRC).
 - i.c Pending civil cases which consist of those filed against the Company for damages, collection of money, and attorney's fees which are still being litigated before the various regional Trial Courts (RTC).
 - i.d Pending assessments on deficiency taxes. Discussion is contained under Note 26 of the 2015 Audited Financial Statements, including courses of action already undertaken by the Company to address the issue.

Having encountered this liquidity concern, the Company implemented a program of manpower rightsizing in 2015 which has been pursued gradually during the year. The program will be considered in the succeeding years until the Company attains manpower complement to match its present revenue level which in 2015 was generated from its 10% revenue share from Joint Venture Companies and its earnings from leased FCA property.

The Company intends to pay all recognized debts using the proceeds from the sale of its investment properties. The Board approved the offer to apply part of the FCA property to pay liabilities to the National Government (NG). The Company sent a letter to the Office of the President (OP) dated July 21, 2015 and a subsequent letter dated November 12, 2015 recognizing its liability to the NG in the amount of P7.9 billion and proposing settlement thereof. The Company is awaiting the decision of the OP.

The Company asserts the contracted participation in the Joint Venture's Skyway Stage 3 and C6 Projects. Partnership with PT Citra Lamtoro for the implementation of the Metro Manila Expressway or C6 and Metro

Manila Skyway Stage 3 and the completion and commercial operation thereof, are projected to generate incremental revenues for the Company at commercial operation on revenue sharing basis for both Project Roads. The revenue scenario best rests on the policy directions intended by the Board and the NG through the PMO/DOF as the disposition entity. Discussion, in detail, is presented under Note 2 of the 2015 Audited Financial Statements.

- (ii) Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

The default in payment of its TRB loan, the recognition of debts to the NG, and the pending assessments on tax deficiencies.

- (iii) There are no material off-balance sheet transactions, arrangements.

- (iv) There are no material commitments for capital expenditures.

- (v) 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 or revenues or income from continuing operations.

- v.a. The continued decline in the construction industry resulted to the Company's suffering from severe losses from the said operation. Thus, to prevent from suffering further losses, Management decided to veer away with the construction business (since 2002) and focus on its road tollways operation.

- v.b. The turn-over of the North Luzon Tollway operations to the MNTC on February 10, 2005 diminished the revenue generating capacity of the Company.

- v.c. The hand-over of the South Luzon Tollway operation to the SLTC on May 02, 2010 likewise had an unfavorable impact on the Company's revenue.

- v.d. The Supreme Court, in its decision in Ernesto B. Francisco vs. TRB, PNCC et. al. (G.R. Nos. 166910, 169917, 173630, and 183599, October 19, 2010) and in the case of Strategic Alliance Development Corporation vs. Radstock Securities Limited et. al. (G.R. No. 178158, December 04, 2009), ruled and declared that with the expiration of PNCC's franchise, the toll assets and facilities of PNCC were automatically turned over, by operation of law, to the National Government (NG) at no cost and, consequently, this inevitably resulted in the latter's owning too of the toll fees and the net income

derived after May 01, 2007 from the toll assets and facilities, including the Company's percentage share in the toll fees collected by the joint venture companies currently operating the tollways.

Pending TRB's issuance of the Final Implementing Rules and Guidelines relative to the determination of the net income remittable by the Company to the National Government, the Company receives only the following revenue shares based on TRB's interim guidelines: 10% of 6% share on the MNTC gross revenue; 10% of 3.5% share on the CMMTC gross revenue; and 10% of 1.75% share on the SLTC gross revenue. It also receives 10% dividend in the equity share from the said Joint Venture Companies.

- (vi) There are no significant elements of income or loss that did not arise from the Company's continuing operations.
- (vii) There are no seasonal aspects that have had a material effect on the financial condition or results of operations of the Company.
- (viii) **Material changes to the Company's Statement of Financial Position as of December 2015 compared to December 31, 2014 (increased / decrease of 5% or more)**

Cash and cash equivalents increased by ₱295.096 million or 74.02% from ₱398.644 million as of December 31, 2014 to ₱693.740 million as of December 31, 2015 due to the cash flows provided by the Company's operating and financing activities.

Accounts Receivable - contract related receivables increased by ₱11.597 million or 9.63% from ₱120.413 million as of December 31, 2014 to ₱132.01 million as of December 31, 2015, due to the inclusion of the former DCBGSI, a wholly-owned subsidiary, operations giving manpower to SOMCO and construction projects for Philphos projects.

Accounts Receivable - other accounts receivable decreased by ₱60.50 million or 86.73% from ₱69.757 million to ₱9.255 million due mainly to the reclassification of account from receivable from BIR to deferred tax assets and the reversal to prior period adjustments of 2008-2010 prescribed MCIT payments.

Accounts receivable-subsiidiaries and affiliates increased by ₱.486 million or 5.5% from ₱8.8 million as of December 31, 2014 to ₱ 9.287 million as of December 31, 2015. This is mainly due to additional accommodations to its subsidiary, DCBGSI.

Prepayments - prepayments increased by ₱5.521 million or 148.48% from ₱3.718 million as of December 31, 2014 to ₱9.240 million as of December 31, 2015 due to an increase of applicable creditable withholding taxes.

Prepayments - Inventories decreased by ₱2.690 million or 42.37% from ₱6.348 million as of December 31, 2014 to ₱ 3.658 million as of December 31, 2015 due to the recognition of Allowance for inventory write-down for obsolete and expired inventory set aside for disposal.

Investments - investment in stocks decreased by ₱127.5 million or 47.66% from ₱267.5 million as of December 31, 2014 to ₱140 million as of December 31, 2015 due to the liquidation of 50% investments in Alabang - Sto. Tomas Development Inc. (ASDI)

Property and equipment increased by ₱224.110 million or 39.80% from ₱563.070 million as of December 31, 2014 to ₱787.181 million as of December 31, 2015 due to an appraisal to fair market value of its Bicutan Property.

Deferred charges increased by ₱58.406 million or 118.27% from ₱49.383 million as of December 31, 2014 to ₱107.789 million as of December 31, 2015 due mainly to the reclassification of account from receivable from BIR to deferred tax assets.

Accounts payable increased by ₱3.454 million or 12.72% from ₱27.147 million as of December 31, 2014 to ₱30.601 million as of December 31, 2015 due to withheld government remittances and due to suppliers.

Accrued expenses increased by ₱0.810 million or 13.48% from ₱6.004 million as of December 31, 2014 to ₱6.813 million as of December 31, 2015 due to the accrual of construction cost of DISC operations in Philphos, employee benefits and unpaid accounts to suppliers of goods and services that are normally settled within twelve (12) months from the reporting period.

Customers deposit increased by ₱1.123 million or 9.42% from ₱11.926 million as of December 31, 2014 to ₱13.049 million as of December 31, 2015 due to an increase in advance rental deposits from tenants in the leased FCA property in Pasay.

Stockholders' equity increased by ₱235.178 million or 259.99% from a capital deficiency ₱ 146.995 million as of December 31, 2014 to a positive stockholder's equity of ₱87.272 million as of December 31, 2015 due to the recognized gain in change in fair value of investment property and revaluation increment in 2015.

Material changes to the Company's Statement of Income for the year ended December 31, 2015 compared to the year ended December 31, 2014 (increase/decrease of 5% or more)

Revenue and dividend share from joint venture companies increased by ₱14.356 million or 13.56% from ₱105.870 million as of December 31, 2014 to ₱120.226 million as of December 31, 2015 due to an increase in revenue share and increase in CMMTC's declaration and payment of dividend.

Rental income increased by ₱9.597 million or 11% from ₱87.242 million as of December 31, 2014 to ₱96.839 million as of December 31, 2015 due to increase in rental rate per sq.m. in the leased FCA property.

Service Income increased by ₱10.628 million or 100% from ₱0.00 as of December 31, 2014 to ₱10.628 million in December 31, 2015. This account arose from the absorption by the company of the operations of DCBGSI - a wholly owned subsidiary on Oct 1, 2015.

Cost of Service increased by ₱8.213 million or 100% from ₱0.00 as of December 31, 2014 to ₱8.213 million in December 31, 2015. This account arose from the absorption by the company of the operations of DCBGSI - a wholly owned subsidiary on Oct 1, 2015.

General and administrative overhead decreased by ₱112.34 million or 63.95% from ₱175.685 million for the year ended December 31, 2014 to ₱63.343 million for the year ended December 31, 2015 due mainly to the provision of allowance for doubtful accounts made in 2014.

Other income charges increased by ₱223.22 million or 1028.04% from ₱21.713 million as of December 31, 2014 to ₱244.934 million as of December 31, 2015 primarily due to the recognition of gain in change in fair value of investment property and revaluation increment in 2015.

Year End 2014 (as restated) vs. Year End 2013 (as restated)

Results of Operations

Revenue. Revenue for the year ended December 31, 2014 stood at ₱193.111 million, higher by 31.54% or ₱46.301 million compared to ₱146.810 million for the year ended December 31, 2013. The increase was mainly attributable to the recognized revenue and dividend share from the Joint Venture Companies and rental income from the leased Financial Center Area (FCA) property.

General and Administrative Overhead. Overhead account increased by 136.02% or ₱101.249 million from ₱74.436 million for the year ended December 31, 2013 to ₱175.685 million for the year ended December 31, 2014 due mainly to the provision of allowance for doubtful accounts.

Income from Operation. Income from operation for the year ended December 31, 2014 stood at ₱17.426 million, lower by 75.92% or ₱54.948 million compared to the December 31, 2013 figure of ₱72.374 million. Said unfavorable variance was the resulting effect of the reasons discussed above.

Other Income (Charges). This account posted a decrease in the balance of ₱21.713 million for the year ended December 31, 2014 compared to the amount of ₱2.604 billion for the year ended December 31, 2013. This was mainly due to the recognition of gain in change in fair value of investment property account in 2013.

Net Income (Loss). Net loss for the year ended December 31, 2014 amounted to ₱218.863 million compared to the net comprehensive income of ₱1.653 billion for the year ended December 31, 2013. The unfavorable variance was likewise due to the recognition of the gain in change in fair value of investment property as discussed above.

Financial Position

Current Assets. Current assets increased by 2.54% or ₱21.371 million from ₱842.317 million as of December 31, 2013 to ₱863.689 million as of December 31, 2014 mainly due to the cash flows provided by the Company's operating and investing activities.

Current Liabilities. Current liabilities increased by 2.84% or ₱251.801 million from ₱8.875 billion as of December 31, 2013 to ₱9.127 billion as of December 31, 2014 mainly due to the accrual of the 2% penalty charges on unpaid concession fee payable to the Toll Regulatory Board (TRB).

Stockholder's Equity (Capital Deficiency). Capital deficiency as of December 31, 2014 totalled ₱146.995 million vis-à-vis the stockholders' equity as of December 31, 2013 in the amount of ₱114.864 million. The significant decrease in the account is mainly attributable to the recognized gain in change in fair value of investment property in 2013.

Presented hereunder is the discussion of the Company's key performance indicators:

Performance Indicators	As of		Explanation
	12/31/2014	12/31/2013 (As Restated)	
<u>Current/Liquidity Ratios</u>			
<u>Current Ratio</u> (Current Assets Divided by Current Liabilities)	0.095	0.095	This ratio evaluates the ability of the company to pay its current debt promptly. Current ratio of 0.095 as of December 31, 2013 is maintained as of December 31, 2014.
<u>Solvency Ratios</u>			
<u>Debt to Assets</u> (Total Liabilities Divided by Total Assets)	101.18%	99.08%	Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is financed by debts. The ratio increased from 99.08% as of December 31, 2013 to 101.18% as of December 31, 2014 brought about mainly by the accrual of the 2% penalty charges on unpaid concession fee.
<u>Debt to Equity</u> (Total Liabilities Divided by Total Equity)	-8554.95%	10731.37%	Shows the proportion of the creditors' capital to the business' total capital. Measures the degree to which the assets of the business are financed by the debts and stockholders of the business. The ratio of 10731.37% as of December 31, 2013 vis-à-vis the negative ratio of 8554.95% as of December 31, 2014 resulted mainly from the reversal of the equity balance of ₱114.864 million as of December 31, 2013 to a capital deficiency of ₱146.995 million as of December 31, 2014.
<u>Asset to Equity Ratio</u> (Total Assets Divided by Total Equity)	-8454.95%	10831.37%	Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts. The significant decrease of the ratio from 10831.37% as of December 31, 2013 to a negative ratio of 8454.95% as of December 31, 2014 is due to the aforesaid reversal of the equity balance to a capital deficiency balance.
<u>Interest Rate Coverage Ratio</u> (Income Before Interest/Penalty)	0.15	10.423	Determines how easily a company can pay interest on outstanding debt. The ratio decreased from 10.423 as of December 31, 2013 to 0.15 as of December 31, 2014 due to recognition of income resulting from the gain in change in fair value of investment property for the year ended 2013.
<u>Profitability Ratios</u>			
<u>Return on Assets</u> (Net Income (Loss) Divided by Total Assets)	-1.76%	13.29%	Measures the Company's earnings in relation to all the resources it had at its disposal. The ratio of 13.29% as of December 31, 2013 vis-à-vis the negative ratio of 1.76% resulted from the incurrence of loss of ₱218.863 million for the reporting period compared with the recognized income of ₱1.653 billion for the year ended 2013 improved due to the recognition of comprehensive income for the period ended December 31, 2013 in the amount of ₱1.642 billion (mainly due to the gain in change in fair value of investment property).
<u>Return on Equity</u> (Net Income (Loss) Divided by Total Equity)	-148.89%	1439.05%	Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owners' capital. The decrease in the ratio from 1439.05% to a negative 148.89% is attributable to the incurrence of loss and capital deficiency for the year ended December 31, 2014.

- (i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. Indicate course of action that the Company has taken or proposes to take to remedy the deficiency.
 - i.a. The Company's inability to settle its outstanding obligations with the Toll Regulatory Board and the National Government brought about by the difficulties in collecting its receivables from various government agencies.
 - i.b. Pending labor cases which consist of those filed against the Company involving dismissal, backwages, and separation pay. Most of these cases have been ruled by the Labor Arbiter in favor of the complainants, pending appeal by the Company before the National Labor Relation Commission (NLRC).
 - i.c. Pending civil cases which consists of those filed against the Company involving damages, collection of money, and attorney's fees which are still on litigation before the various regional Trial Courts (RTC).
 - i.d. Pending assessments on deficiency taxes. Discussion is contained under Note 24 of the 2014 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

Having encountered this liquidity concern, the Company implemented a program of manpower rightsizing in 2001 and has been pursued gradually during the year. The program will be considered in the succeeding years until the Company attains manpower complement to match its present revenue level which in 2014 was generated from its 10% revenue share from Joint Venture Companies and its earnings from leased FCA property.

The Company intends to pay all recognized debts using the proceeds from the sale of the FCA property. The Board will come up with the terms of the proposed sale subject to required approvals.

The Company asserts the contracted participation in the Joint Venture's Skyway Stage 3 and C6 Projects. Partnership with PT Citra Lamtoro for the implementation of the Metro Manila Expressway or C6 and Metro Manila Skyway Stage 3 and the completion and commercial operation thereof, are projected to generate incremental revenues for the Company at commercial operation on revenue sharing basis for both Project Roads. The revenue scenario best rests on the policy directions intended by the Board and the NG through the PMO/DOF as the disposition entity.

Discussion, in details, is presented under Note 2 of the 2014 Audited Financial Statements.

- (ii) Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

The default in payment of its TRB loan, the recognition of debts to the NG, and the pending assessments on tax deficiencies.

- (iii) There are no material off-balance sheet transactions, arrangements.

- (iv) There are no material commitments for capital expenditures.

- (v) 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 or revenues or income from continuing operations.

- v.a. The continued decline in the construction industry resulted to the Company's incurrence of severe losses from the said operation. Thus, to prevent from suffering greater losses as it had experienced for the last several years, Management decided to veer away with the construction business (since 2002) and focus on its tollways operation.

- v.b. The turn over of the North Luzon Tollway operations to the MNTC on February 10, 2005 had affected the revenue generating capacity of the Company.

- v.c. The hand-over of the South Luzon Tollway operation to the SLTC on May 02, 2010 likewise had an unfavorable impact on the Company's revenue.

- v.d. The Supreme Court decision, in Ernesto B. Francisco vs. TRB, PNCC et. al. (G.R. Nos. 166910, 169917, 173630, and 183599, October 19, 2010) and in the case of Strategic Alliance Development Corporation vs. Radstock Securities Limited et. al. (G.R. No. 178158, December 04, 2009), ruled and declared that with the expiration of PNCC's franchise, the toll assets and facilities of PNCC were automatically turned over, by operation of law, to the National Government (NG) at no cost and, consequently, this inevitably resulted in the latter's owning too of the toll fees and the net income derived after May 01, 2007 from the toll assets and facilities, including the Company's percentage share in the toll fees collected by the joint venture companies currently operating the tollways.

Pending TRB's issuance of the Final Implementing Rules and Guidelines relative to the determination of the net income remittable by the Company to the National Government, the Company receives only the following revenue shares based on TRB's interim guidelines: 10% of 6% share on the MNTC gross revenue; 10% of 3.5% share on the CMTC gross revenue; and 10% of 1.75% share on the SLTC gross revenue. It also receives 10% dividend in the equity share from the said Joint Venture Companies.

- (vi) There are no significant elements of income or loss that did not arise from the Company's continuing operations.
- (vii) There are no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.
- (viii) **Material changes to the Company's Statement of Financial Position as of December 2014 compared to December 31, 2013 (increased / decrease of 5% or more)**

Cash and cash equivalents increased by ₱217.521 million or 120.09% from ₱181.124 million as of December 31, 2013 to ₱398.645 million as of December 31, 2014 due to the cash flows provided by the Company's operating and financing activities.

Billed contract receivables decreased by ₱24.905 million or 17.14% from ₱145.318 million as of December 31, 2013 to ₱120.414 million as of December 31, 2014, due mainly from the collection of its work accomplishments from the Alabang - Sto. Tomas Development, Inc. (ASDI).

Accounts receivable-subsidaries and affiliates decreased by ₱88.669 million or 90.97% from ₱97.469 million as of December 31, 2013 to ₱8.800 million as of December 31, 2014. This is mainly due from the Company's collection of its account from one of its subsidiaries, DCBGSi.

Other accounts receivable decreased by ₱66.074 million or 48.64% from ₱135.832 million as of December 31, 2013 to ₱69.757 million as of December 31, 2014 resulting mainly from the reclassification of the amount representing the carry forward benefit of unused tax credits from Other accounts receivable-BIR to deferred tax assets.

Prepayments decreased by ₱12.637 million or 77.27% from ₱16.356 million as of December 31, 2013 to ₱3.719 million as of December 31, 2014 due to the reduction in prepaid income tax account and/or application of creditable withholding taxes.

Accounts receivable-trade decreased by ₱74.230 million or 59.34% from ₱125.109 million as of December 31, 2013 to ₱50.879 million as of December 31, 2014 mainly due to the provision of allowance for doubtful accounts.

Deferred charges increased by ₱34.930 million or 241.66% from ₱14.454 million as of December 31, 2013 to ₱49.384 million as of December 31, 2014 due mainly to the reclassification of account from receivable from BIR to deferred tax assets.

Other assets decreased by ₱0.645 million or 57.79% from ₱1.117 million as of December 31, 2013 to ₱0.471 million as of December 31, 2014 due to closing of various dormant bank accounts.

Accounts payable decreased by ₱11.284 million or 29.36% from ₱38.431 million as of December 31, 2013 to ₱27.147 million as of December 31, 2014 due to payments of accounts with the suppliers.

Accrued expenses increased by ₱3.583 million or 148.02% from ₱2.421 million as of December 31, 2013 to ₱6.004 million as of December 31, 2014 due to the accrual of the employee benefits and unpaid accounts to suppliers of goods and services that are normally settled within twelve (12) months from the reporting period.

Customers deposit increased by ₱2.001 million or 20.16% from ₱9.925 million as of December 31, 2013 to ₱11.926 million as of December 31, 2014 due to advance rental deposits from new tenants in the leased FCA property in Pasay.

Stockholders equity decreased by ₱218.863 million or 190.54% from ₱114.864 million as of December 31, 2013 to a capital deficiency of ₱146.995 million as of December 31, 2014 due to the recognized gain in change in fair value of investment property in 2013.

Material changes to the Company's Statement of Income for the year ended December 31, 2014 compared to the year ended December 31, 2013 (increase/decrease of 5% or more)

Revenue and dividend share from joint venture companies increased by ₱20.768 million or 24.40% from ₱85.102 million as of December 31, 2013 to ₱105.870 million as of December 31, 2014 due to CMMTC's declaration and payment of dividend.

Rental income increased by ₱25.534 million or 41.37% from ₱61.708 million as of December 31, 2013 to ₱87.242 million as of December 31, 2014 due to contracts entered into with new tenants in the leased FCA property.

General and administrative overhead increased by ₱101.250 million or 136.02% from ₱74.436 million for the year ended December 31, 2013 to ₱175.686 million for the year ended December 31, 2014 due mainly to the provision of allowance for doubtful accounts.

Other income charges decreased by ₱2.583 billion or 99.16% from ₱2.604 billion as of December 31, 2013 to ₱21.713 million as of December 31, 2014 primarily due to the recognition of gain in change in fair value of investment property in 2013.

Year End 2013 (as restated) vs. Year End 2012

Results of Operations

Revenues. Revenues for the year ended December 31, 2013 amounted to ₱146.810 million, up by 26.37% or ₱30.640 million vis-à-vis the ₱116.170 million for the year ended December 31, 2012. The increased in revenue was due to the recognized rental income from new tenants in the leased FCA property and revenue shares which were in direct relationship to the Joint Venture Companies' gross toll revenue.

General and Administrative Overhead. This account decreased by 19.83% or ₱18.415 million from ₱92.851 million for the year ended December 31, 2012 to ₱74.436 million fro the year ended December 31, 2013. The decrease in the overhead account was due to the implementation to cost reduction measures, including manpower unloading, to match the company's present revenue level.

Profit from Operations. This account increased by 210.36% or ₱49.055 million from ₱23.319 million for the year ended December 31, 2012 to ₱72.374 million for the year ended December 31, 2013 due also to the reason discussed above.

Penalty Charges. This account pertains to the 2% penalty charges on unpaid concession fee amounting to ₱258.002 million for the year ended December 31, 2013 and December 31, 2012.

Other Income (Charges). This account posted a positive balance of ₱2.604 billion for the period ended December 31, 2013, 11,011.26% or ₱2.581 billion higher than last year's positive amount of ₱23.438 million. The favorable variance was due to the recognition of the gain in change in fair value of investment property.

Net Profit (Loss) from Before Tax. For the year ended December 31, 2013, the company recognized a net profit before tax of ₱2.419 billion, posting a

1,245% or ₱2.630 billion increase from last year's net loss of ₱211.245 million. This was due to the reason discussed in the preceding paragraph.

Deferred Tax Expense. The deferred tax expense of ₱778.186 million for the period ended December 31, 2013 represents 30% of the gain in change in fair value of investment property of ₱2.594 billion.

Net Profit (Loss). The company realized a net profit of ₱1.641 billion for the period ended December 31, 2013, 876.64% or ₱1.852 billion higher compared to the net loss of ₱211.245 million for the period ended December 31, 2012. The favorable variance was due to the reasons discussed above.

Financial Position

Current Assets. The company's current assets as of December 31, 2013 totalled ₱842.317 million vis-à-vis December 31, 2012 balance of ₱898.322 million, higher by 6.23% or ₱56.005 million. The increase in current assets was mainly due to the increase in cash and cash equivalents brought about by the collection of work accomplishments for the Daang Hari SLEX Linkroad Project.

Investment Property. The increase of 33.05% or ₱2.594 billion, from ₱7.848 billion as of December 31, 2012 to ₱10.442 billion as of December 31, 2013, resulted from the appraisal conducted in 2013 by independent firms of appraisers.

Property, Plant and Equipment. The account increased by 2.05% or ₱11.434 million, from ₱557.770 million as of December 31, 2012 to ₱569.204 million as of December 31, 2013. The increased resulted from the appraisal conducted in 2013 by independent firms of appraisers, net of depreciation during the year.

Other Assets. The account amounted to ₱191.347 million as of December 31, 2012 compared with ₱325.856 million as of December 31, 2013, an increase of 70.29% or ₱134.509 million. This is mainly due to the set up of the 2% Minimum Corporate Income Tax.

Current Portion of Long-term Debt. The amount stood at ₱8.875 billion as of December 31, 2013, increased by 3.41% or ₱293.175 million compared to ₱8.852 billion as of December 31, 2012. The increase was mainly due to the accrual of the 2% penalty charges on unpaid concession fee payable to the Toll Regulatory Board (TRB).

Long-term Debt. The account increased by 27.78% or ₱750.556 million, from ₱2.701 billion as of December 31, 2012 to ₱3.451 billion as of December 31, 2013, which was due to the recognition of deferred tax liability on the gain in

Presented hereunder is the discussion of the Company's key performance indicators:

Performance Indicators	As of		Explanation
	12/31/2013	12/31/2012	
Current/Liquidity Ratios <i>Current Ratio</i> (Current Assets Divided by Current Liabilities)	0.095	0.105	Evaluates the ability of the company to pay its current debt promptly. Current ratio as of December 31, 2013 increased from that of December 31, 2012 due to the increase in current assets by 9.59% vs. the increase in current liabilities by 3.25%.
Solvency Ratios <i>Debt to Assets</i> (Total Liabilities Divided by Total Assets)	99.08%	115.63%	Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is financed by debts. The ratio improved due to the increase in total liabilities by 9.21% (brought about by the accrual of the 2% penalty charges and recognition of deemed tax on appraisal of real estate properties) and vis-à-vis the increase in total assets by 27.61% (due to appraisal increase-real estate properties).
<i>Debt to Equity</i> (Total Liabilities Divided by Total Equity)	10731.37%	-739.81%	Shows the proportion of the creditors' capital to the business' total capital. Measures the degree to which the assets of the business are financed by the debts and stockholders of the business. The ratio improved due to the increase in total liabilities (as discussed above) coupled with the reversal of the capital deficiency as of December 31, 2012 to equity as of December 31, 2013.
Asset to Equity Ratio (Total Assets Divided by Total Equity)	10831.37%	-639.81%	Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts. The ratio improved due to the increase in total assets and the reversal of the capital deficiency to equity (as discussed above).
Interest Rate Coverage Ratio (Income Before Interest/Penalty Divided by Interest Expense/Penalty Charges)	10.423	0.090	Determines how easily a company can pay interest on outstanding debt. The ratio improved in year 2013 due to the recognition of income resulting from the gain in change in fair value of investment property.
Profitability Ratios <i>Return on Assets</i> (Net Income (Loss) Divided by Total Assets)	13.29%	-2.16%	Measures the Company's earnings in relation to all the resources it had at its disposal. The ratio improved due to the recognition of net profit for the period ended December 31, 2013 in the amount of ₱1.653 billion.
<i>Return on Equity</i> (Net Income (Loss) Divided by Total Equity)	1439.05%	-13.85%	Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owners' capital. The ratio improved due to the recognition of net profit for the year ended December 31, 2013 and the reversal of capital deficiency to equity.

- (i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. Indicate course of action that the Company has taken or proposes to take to remedy the deficiency.

- i.a The Company's inability to settle its outstanding obligations with the Toll Regulatory Board and the National Government brought about by the difficulties in collecting its receivables from various government agencies.

- i.b Pending labor cases which consist of those filed against the Company involving dismissal, backwages, and separation pay. Most of these cases have been ruled by the Labor Arbiter in favor of the complainants and are pending appeal by the company before the National Labor Relation Commission (NLRC).
- i.c Pending civil cases which consist of those filed against the Company involving damages, collection of money, and attorney's fees which are still being litigated before the various Regional Trial Courts (RTC).
- i.d Pending assessments on deficiency taxes. Discussion is contained under Note 24 of the 2013 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

To address the above concerns, PNCC implemented a program of manpower rightsizing in 2011 and has been pursued gradually during the year. The program will be considered in the succeeding years until the Company attains manpower complement to match its present revenue level which in 2013 was significantly generated by its 10% revenue share from Joint Venture Companies and by its earnings from the leased FCA property.

Earlier, the PNCC Board approved the settlement of the obligation to the National Government by way of dacion en pago, using the real estate assets of the company notably the 12.9 hectare Financial Center Area. The property was valued at ₱9.714 billion by independent firms of appraisers conducted in 2013. In the latter months of 2012, the Board reconsidered the option to bid out the property proposed for dacion to attain a higher dacion value and forestall all legal problems that may arise from the option of direct dacion. A letter touching on major issues on PNCC, including this matter among others, was sent to DOF in October 2012.

The Company still asserts the contracted participation in the Joint Venture's Skyway Stage 3 and C6 Projects. Partnership with PT Citra Lamtoro for the implementation of the Metro Manila Expressway or C6 and Metro Manila Skyway Stages 2 and 3 and the completion and commercial operation thereof, are projected to generate incremental revenues for PNCC at commercial operation on revenue sharing basis for both Project Roads. The revenue scenario best rests on the policy directions intended by the Board and the NG through the PMO/DOF as the disposition entity.

- (ii) Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

The default in payment of its TRB loan and the settlement of its recognized debts to the National Government.

- (iii) There are no material off-balance sheet transactions and arrangements.
- (iv) There are no material commitments for capital expenditures.
- (v) 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 or revenues or income from continuing operations.
 - v.a The continued decline in the construction industry resulted to the Company's incurrence of severe losses from the said operation. Thus, to prevent from suffering greater losses as it had experienced for the last several years, Management decided to veer away with the construction business (since 2002) and focus on the tollways operations.
 - v.b The turn of the North Luzon Tollway operation to the MNTC on February 10, 2005 had affected the revenue generating capacity of the Company.
 - v.c The hand-over of the South Luzon Tollway operations to the SLTC on May 2, 2010 likewise had an unfavorable impact on the Company's revenue.
 - v.d The Supreme Court decision, in Ernesto B. Francisco vs. TRB, PNCC et. al. (G.R. Nos. 166910, 169917, 173630, and 183599, October 19, 2010) and in the case of Strategic Alliance Development Corporation vs. Radstock Securities Limited et. al. (G.R. No. 178158, December 4, 2009), ruled and declared that with the expiration of PNCC's franchise, the toll assets and facilities of PNCC were automatically turned over, by operation of law, to the National Government (NG) at no cost and, consequently, this inevitably resulted in the latter's owning too of the toll fees and the net income derived after May 01, 2007 from the toll assets and facilities, including the company's percentage share in the toll fees collected by the joint venture companies currently operating the tollways.
- (vi) There are no significant elements of income or loss that did not arise from the Company's continuing operations.

(vii) There are no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.

(viii) **Material changes to the Company's Statement of Financial Position as of December 2013 compared to December 31, 2012 (increase / decrease of 5% or more)**

Cash and cash equivalents increased by ₱153.398 million or 553.3% from ₱27.726 million as of December 31, 2012 to ₱181.124 million as of December 31, 2013 due to increased collection of receivables, proceeds from sale of fixed assets/scrap materials, and dividend payments from joint venture companies.

Receivables from contracts decreased by ₱84.397 million or 36.73% from ₱229.717 million as of December 31, 2012 to ₱145.319 million as of December 31, 2013 due to the collection of work accomplishments for Daang Hari SLEX Linkroad Project.

Investment property increased by ₱2.594 billion or 33.05% from ₱7.848 billion as of December 31, 2012 to ₱10.442 billion as of December 31, 2013 as a result of the appraisal conducted by independent firms of appraisers in 2013.

Accounts payable and accrued expenses increased by ₱35.172 million or 225.39% from ₱15.604 million as of December 31, 2012 to ₱50.777 million as of December 31, 2013 resulting mainly from the tenants' advance rental/deposits.

Deferred tax liabilities increased by ₱783.241 million or 31.45% from ₱2.490 billion as of December 31, 2012 to ₱3.273 billion as of December 31, 2013 due to the recognition of additional deemed tax on the increase in the fair value of the investment property.

Other payables decreased by ₱32.685 million or 15.51% from ₱210.643 million as of December 31, 2012 to ₱177.958 million as of December 31, 2013 due to the adjustment made in the Deferred Credits account.

Material changes to the Company's Statement of Income for the year ended December 31, 2013 compared to the year ended December 31, 2012 (increase / decrease of 5% or more)

Revenue share increased by ₱10.634 million or 14.28% from ₱74.468 million for the period ended December 31, 2012 to ₱85.102 million for the period ended December 31, 2013 due to the increase in the revenue shares which were in direct relationship to the Joint Venture Companies gross toll revenue.

Rental income increased by ₱20.006 million or 47.97% from ₱41.702 million for the period ended December 31, 2012 to ₱61.708 million for the period ended December 31, 2013 due to contracts entered into with new tenants in the leased FCA property.

General and administrative overhead decreased by ₱18.415 million or 19.83% from ₱92.851 million for the period ended December 31, 2012 to ₱74.436 million for the period ended December 31, 2013 due to implementation of the Company's Cost Reduction Program resulting to reduction in the Company's employee costs and operating expenses. Except for depreciation, there are no non-cash items (provisions and allowances for losses) taken up in the books in 2013.

Other income (charges) increased by ₱2.581 million or 11,011.26% from ₱23.438 million for the period ended December 31, 2012 to ₱2.604 billion for the period ended December 31, 2013 mainly due to the increase in the fair value of the investment property.

Deferred tax expense increased by ₱778.186 million or 100% from zero for the period ended December 31, 2012 to ₱778.186 million for the period ended December 31, 2013 which represents the 30% deemed tax on the increase in the fair value of the investment property.

Certain Relationships and Related Party Transactions

The Company, in the normal course of business, has transactions with related parties as approved by the Board. The more significant of these transactions include:

Agreements:

- In 2014, the Company entered into contracts with DISC Contractors, Builders, and General Services, Inc. (DCBGSI), a wholly-owned subsidiary, for contractual labors such as janitors and service drivers which were extended until September 30, 2015. The amount billed by DCBGSI for the period ended September 30, 2015 totaled ₱1.543 million.

On October 1, 2015, the functions of the DCBGSI were then transferred to the Company pursuant to the Company's proposal which was approved by the Governance Commission for Government-Owned and Controlled Corporation (GCG).

- The Company, lawful owner and possessor of a real property situated at the Financial Center Area (as lessor), entered into a Contract of Lease with AHEAD-Operations and Nutritional Enterprises, Inc. (as lessee), incorporators

and stockholders of which are executives and officers of the Company. The parties mutually agreed and accepted the terms and conditions specifically provided for in the Contracts of Lease.

For the year ended December 31, 2015, the Company billed the lessee the amount of ₱.635 million which was fully collected as of reporting date.

AHEAD-Operations and Nutritional Enterprises, Inc.'s Contract of Lease was not renewed after its expiration in April 2015.

IV. NATURE AND SCOPE OF BUSINESS

The Philippine National Construction Corporation (PNCC) is known for its vision, expertise and landmark projects and has been distinguished partner in Philippine progress and economic development,

On November 22, 1966 as a consortium of well known contractor firms, it was originally incorporated under the name of Construction Development Corporation of the Philippines (CDCP) for a term of fifty (50) years. CDCP's entry into the construction field was a big break-away from tradition. For the first time, the concept of private financing for the construction of government infrastructure projects was introduced in the Philippines. Since its establishment, CDCP had constructed billion pesos worth of engineering and construction projects. This covered a broad range of projects, from the construction of highways, bridges and industrial facilities, even land development.

On August 14, 1968, the 28 km. Manila North Expressway (MNEX), a fully fenced limited access highway consisting of a four-lane divided roadway was opened as a tollway facility, with CDCP managing its operations and maintenance. It was originally a project of the Department of Public Highways (now DPWH), but the completion of the major portion of the project fell on CDCP to pioneer the toll concept of funding infrastructure. It was carried out under the private financing scheme provided for under RA 3741. This first big success in public works construction gave way to CDCP's rise in the road building industry. The construction of the Manila South Expressway (MSEX), the second major roadway project completed by CDCP, was opened on December 16, 1969. It provided a vital artery to Southern Luzon stretching 15 kilometers from Makati to Alabang.

On March 31, 1977, PD 1113 granted CDCP the franchise to operate, construct, and maintain the above toll facilities for a period of 30 years. From May 1, 1977 these roadways already then called the North and South Luzon Tollways, were operated and maintained under the franchise granted to CDCP. The franchise expired on April 30, 2007.

While the terms of the franchise provided under PD 1113 for the North Luzon Expressway and the South Luzon Expressway which is thirty (30) years from May 1, 1977 shall remain the same, the franchise granted for the Metro Manila Expressway and all extensions, linkages, stretches and diversions that may be constructed after the date of approval of this decree shall also have a term of thirty (30) years commencing from the date of completion of the project. On December 22, 1983, PD 1894 was issued further granting PNCC a franchise over the Metro Manila Expressway (MME), and the expanded and delineated NLEX and SLEX. PNCC was granted the *"right, privilege and authority to construct, maintain and operate any and all such extensions, linkages or stretches, together with the toll facilities appurtenant thereto, from any part of the North Luzon Expressway, South Luzon Expressway and/or Metro Manila Expressway and/or to divert the original route and change the original end-points of the North Luzon Expressway and/or South Luzon Expressway as may be approved by the TRB."*

In 1981, in order to strengthen the financial structure of the Corporation, LOI 1136 was issued mandating the National Development Company (NDC) to invest the sum of ₱250 million in CDCP at par value.

In 1983, LOI 1295 was issued directing lender/guarantor government financial institutions to convert PNCC debts into equity in PNCC. However, only P1.4 billion of the estimated ₱7 billion debt was converted to equity and the balance of ₱5.5 billion remain unconverted due to Central Bank intervention.

The accomplished conversion in 1983 gave the Government a majority shareholding, and pursuant to this substantial change in ownership, the corporate name was changed from CDCP to Philippine National Construction Corporation (PNCC) in the same year. The increase in the company's capital stock was approved by SEC on December 7, 1983. By virtue of LOI 1136 and PD 1295, 76.96% of the PNCC's voting equity has been held by the then Asset Privatization Trust (APT), now the Privatization and Management Office (PMO). The PMO was created on December 8, 1986 by virtue of Proclamation No. 50 that authorized the privatization program of government. The program is guided by the Committee on Privatization (COP) that was also created under Proclamation No. 50, and is now called the Privatization Council (PrC). As a result of the aforesaid PMO holdings, only 12.09% of the Corporation's voting equity is considered as under private ownership. However, 24% of GSIS shares is considered private because owned by government employees and financed by the premiums they pay.

The Company's debt of ₱5.552 billion which remained unconverted to equity is treated as part of equity in the Company's books, instead of a liability with the interest and penalties unilaterally charged thereon by the PMO/BTr amounting to ₱52.066 billion and ₱52.482 billion as of December 31, 2014 and 2013, respectively, are not considered or taken up in the Company's books.

The Company maintains the position that the account/amount shall be booked as equity and not as a liability (inclusive of interests and penalty charges). The assertion that the ₱5.552 billion should be part of equity is supported by a Supreme Court ruling that recognizes the validity of LOI 1295 confirming that the ₱5.552 billion is no longer a debt but equity. The Office of the Government Corporate Counsel, and a private firm engaged by PMO have concurred with this ruling. Pursuant to the mutual agreement between the Company and the PMO, the option/authority to convert the mentioned debt into equity was submitted to the Department of Justice (DOJ) on June 21, 2012 for arbitration. In DOJ decision dated February 18, 2014 dismissing the Company's petition against the PMO, the former filed a Motion for Reconsideration (MR) at the DOJ on March 14, 2014. On January 22, 2015, the DOJ denied the Company's MR.

Thereafter, the Company filed a Supplement to the MR on May 28, 2015 which was also denied by the DOJ in its order dated July 13, 2015.

On June 26, 2015, the Company filed a Notice of Appeal at the Office of the President (OP) of the Philippines and filed the corresponding Appeal Memorandum on July 27, 2015. The Company is awaiting the resolution of the OP on its appeal.

From 1987 to 2001, PNCC still implemented selected construction projects, but this resulted in losses. Since 2002, the Corporation has refrained from actively engaging in the construction business, and focused more on the operation and maintenance of its tollways.

Earlier in 1995, PNCC entered into Joint Venture Agreements (JVAs) that resulted in the division of the Tollways into 3 portions, the North Luzon Expressway (NLEX), the Skyway, and the South Luzon Expressway (SLEX). The objective was to improve the manner by which the tollways were operated and maintained.

The NLEX JVA was entered into originally with First Philippine Infrastructure Development Corporation (FPIDC) together with Leighton Contractor Asia Ltd. and Egis Project Systems, which formed the JV company, Manila North Tollways Corporation (MNTC). The operation of the NLEX was officially turned over to MNTC on February 10, 2005, where PNCC had 20% shareholding. PNCC's inability to respond to succeeding capital calls limited its participation to 2.5% in MNTC. FPIDC was acquired by the Pangilinan (MVP) Group in November 2008. In the O&M company for NLEX, the Tollway Management Corp. however, PNCC is a 20% shareholder.

For the South Luzon Tollways, PNCC entered into a partnership with Indonesia's P.T. Citra Lamtoro Gung Persada to build the elevated toll road or Skyway System from Nichols to Alabang and to upgrade the at-grade portion

for the same stretch. Citra Metro Manila Tollways Corporation (CMMTC) is the Joint Venture Company and concessionaire, and has been running these segments since 1999. The PNCC Skyway Corporation (PSC) originally managed the operation and maintenance of the Skyway System and its corresponding at-grade section, but due to operational inefficiencies, PSC suffered financial losses. The Skyway Operation and Maintenance Corporation (SOMCO) took over the operations and maintenance of the Skyway Systems in 2008. PNCC has 11% share in CMMTC (also diluted from 20%) and a 20% share in SOMCO, which up to this day remains unissued to PNCC because of legal disputes with CMMTC.

For the Alabang to Calamba stretch, PNCC entered into a JVA with the Malaysian Corporation, MTD Manila Expressways, Inc. (MTDME) under the corporate name of South Luzon Tollway Corporation (SLTC). Under this JVA, are the following South Luzon Expressway (SLEX) Projects: the rehabilitation and upgrading of the Alabang Viaduct, the expansion and rehabilitation of the Alabang to Calamba segment, and the construction of a 7.8 km. toll road extension from Calamba to Sto. Tomas, Batangas. The O&M company for the said stretch is the Manila Toll Expressway Systems, Inc. (MTESI). PNCC owns 20% of SLTC and 40% of MTESI.

San Miguel Corporation and its partner Citra Group of Indonesia had acquired an 80% indirect equity interest in SLTC and 60% in MTESI. The acquisition was made by its wholly-owned subsidiary San Miguel Holdings Corporation (SMHC) and Atlantic Aurum Inc., the joint venture corporation of SMHC and the Citra Group. SMHC has accepted the invitation of the Citra Group of Indonesia to invest in Atlantic Aurum Inc, the corporate vehicle of the Citra Group which has a controlling equity interest in CMMTC, the concession holder and operator of the Skyway project.

Although the original franchise of PNCC expired on April 30, 2007, the Toll Regulatory Board (TRB) issued a Toll Operations Certificate (TOC) dated April 27, 2007 to PNCC, for the continued Operation and Maintenance of the SLEX. The said authority from the TRB, pursuant to its powers under PD 1112, allowed PNCC to operate and maintain the SLEX and to collect toll fees, in the interim. The effective date of the TOC commenced on May 1, 2007, but in no case to exceed the date of substantial completion of the SLEX Project Toll Roads under the STOA dated February 1, 2006, or unless sooner revoked by the Board. On April 8, 2010, the TRB issued the Certificate of Substantial Completion for Project Toll Roads 1 and 2, and accordingly issued the Toll Operation Permit (TOP) over the said Project Toll Roads to MATES. On May 2, 2010, the operation and maintenance of the SLEX was officially turned over to SLTC and MATES.

A Subscription Agreement was also executed by and among the Alabang-Sto. Tomas Development Inc. (ASDI), the NDC, and the PNCC on November 14,

2008, wherein PNCC subscribed to 12,500 shares from the unissued portion of the 150,000 shares authorized capital stock (with par value of ₱1,000 per share) of ASDI. ASDI is a joint venture company between PNCC and NDC and incorporated to undertake the Daang Hari-SLEX connector road (DHSLRP). In 2009, as the construction activities of the DHSLRP was underway, PNCC infused additional equity to total ₱255 million, thereby increasing its ownership share to 51%.

On December 15, 2009, a Memorandum of Agreement (MOA) for the Advance Works on the Daang Hari-SLEX Link Road Project (DHSLRP) was entered into by and among the ASDI and PNCC. The Corporation was designated as the Main Turnkey Contractor responsible for undertaking the Advance Works and to implement of the design and construction of the Road Project, which consists of a toll road facility connecting Daang Hari Road in Cavite to the SLEX adjacent to the Susana Heights Interchange. The project was 25% complete when the DPWH, pursuant to its PPP mandate, took over the project for the purpose of bidding it out. The project was bid out and awarded to Ayala Corporation in the amount of ₱900M and ASDI was reimbursed in the amount of ₱353M representing its cost plus a premium for its efforts.

Meanwhile, pursuant to Executive Order No. 605 which directed all government agencies to install a Government-wide quality management program, and prior to the above turn-over to MATES, PNCC has acquired and maintained an ISO 9001 Certification to cover its expressway operations in the SLEX. The company, with the full support of its Board, adopted and implemented its Quality Management System Manual. On December 15, 2009, Stage 1 (Documentation) Certification Audit was conducted by a Certification Body, the SGS Philippines. Before the end of the first quarter of 2010, SGS Philippines, Inc. granted to PNCC the ISO 9001:2008 Quality Management System Certificate for Tollway Management. The certificate was valid from 18 March 2010 until 17 March 2013.

About the same period in *Ernesto B. Francisco vs. TRB, PNCC et. al.* (G.R. Nos. 166910, 169917, 173630, and 183599, October 19, 2010) and in the case of *Strategic Alliance Development Corporation vs. Radstock Securities Limited, et. al* (G.R. No. 178158, December 4, 2009), the Supreme Court ruled and declared that with the expiration of PNCC's franchise, the toll assets and facilities of PNCC were automatically turned over, by operation of law, to the National Government (NG) at no cost. Consequently, this resulted in the latter's ownership of the toll fees and the net income derived, for the period starting May 1, 2007, from the toll assets and facilities, including PNCC's percentage share in the toll fees collected by the joint venture companies currently operating the tollways. This has adversely affected PNCC's entitlement to a share in the gross proceeds of the operation of the SLEX and dividends, if declared.

PNCC through the Office of Government Corporate Counsel (OGCC) filed a Motion for Clarification with the Supreme Court (SC) asking for definition of "Net Income". The SC resolved to grant the Motion of PNCC. In addition, it ordered the Toll Regulatory Board (TRB) with the assistance of Commission on Audit (COA) to formulate the Guidelines to determine what can be retained by PNCC to determine the Net Income to be remitted to NG. Due to inevitable delays and in fairness to PNCC, the TRB on 22 March 2012, issued "Interim Guidelines" that determined amounts to be remitted to the NG and PNCC "by the JV Companies in relation to the operation of the NLEX and SLEX projects respectively." Detailed discussion on revenue and dividend share from joint venture companies were described in Notes 19 of Financial Statement.

On May 3, 2011, the company and its partner for Skyway Toll Projects, CITRA Lamtoro Gung Persada, submitted to TRB an Updated Joint Venture Investment Proposal (UJVIP) for the Metro Manila Skyway (MMS) Stage 3 Project pursuant to one of the provisions of Supplemental Toll Operations Agreement dated November 27, 1995 as amended on July 18, 2007. The 14.8 kilometer Stage 3 Project starts from the existing Buendia interchange and will be extended and eventually connected to the North Luzon Expressway at Balintawak - EDSA Interchange. The Toll Regulatory Board (TRB) reviewed, evaluated and approved the UJVIP.

On January 9, 2012, a Supplement to the Business and Joint Venture Agreement (Supplement BJVA) was executed by the Company and CITRA which governs the implementation of the MMS Stage 3 Project and Stage 4 of the Project also known as Metro Manila Expressway (MME). The parties also executed the Second Supplement to the Business Joint Venture Agreement (Second Supplement to BJVA) which contains the terms and conditions for the implementation of both MMS and MME.

On September 6, 2012, the Restated Second Supplement to BJVA was executed which contains the entire agreement of the parties and embodies the final terms and conditions for MMS.

On November 12, 2012, following Section 1 of the Restated Second Supplement to BJVA, Citra Central Expressway Corporation (CCEC), the joint venture company, was incorporated as the vehicle to implement the financing, design, and construction of the MMS.

On September 26, 2013, the Supplemental Toll Operation Agreement (STOA) governing the design, construction, operation and maintenance of the MMS Stage 3 was approved by the Office of the President of the Philippines. Under the STOA, the Company is provided with 20% equity in CCEC, 10% is free carry and can never be diluted while the other 10% is to be paid for. In 2015, when

the call was made for a capital increase investment in CCEC, the Company waived its subscription rights for the 10%. The initial 10% investment in CCEC amounted to P12.5 million. The Company waived its right in the Operation and Maintenance (O&M) company in exchange for the shares in gross revenues. The start of commercial operations of the MMS Project is expected in 2017.

On October 14, 2013, Executive Order No. 141 was issued transferring the Philippine National Construction Corporation from the Department of Trade and Industry (DTI) to the Office of the President (OP) of the Philippines.

In January 2014, the Restated Supplement to the BJVA for MME was executed. The MME or C6 Project or the Stage 4 of SMMS will stretch from Bicutan to San Jose Delmonte and then will connect to the proposed MRT7 Project which will extend to the NLEX. The toll road will have a length of 34.33 km. Patterned from the MMS Project, the Company is provided with 20% equity in Citra Intercity Tollways Inc. (CITI), the joint venture company incorporated as the vehicle to implement the financing, design, and construction of the MME. 10% of the CITI equity is free carry and can never be diluted. On August 11, 2014, the Supplemental Toll Operation Agreement was approved by the Office of the President of the Philippines. The start of commercial operations of the MMS Project is expected in 2018.

Stockholders

There are 4,815 holders of common equity security of the Company as of June 30, 2016 (based on the number of account registered with the Stock Transfer Agent). The following are the top 20 holders of the common securities of the Company:

	Stockholders Name	No. of Common Shares	% (of Common Shares) ¹
1	Republic of the Phils. through the PMO	79,271,024	45.4419%
2	Government Service Insurance System (GSIS)	47,490,383	27.2237%
3	Universal Holdings Corp.	24,780,746	14.2055%
4	PCD Nominee Corp. - Filipino	12,562,537	7.2014%
5	Cuenca Investment Corp.	2,088,132	1.1970%
6	Cuenca, Rodolfo M.	698,116	0.4002%
7	Land Bank of the Philippines	657,836	0.3771%
8	Unigrowth Development Corp.	630,625	0.3615%
9	Gow, Jimmy N.	274,000	0.1571%
10	Cruz, F. F. & Co., Inc.	252,630	0.1448%
11	Blue Chip Assets, Inc.	244,700	0.1403%
12	Adachi, Suelo	184,025	0.1055%
13	Chung, Felix	173,900	0.0997%
14	Alpapara, Johnson	170,000	0.0975%
15	Go, Manuel	150,000	0.0860%
16	Benpres Corporation	140,000	0.0803%
17	Cruz, Felipe F.	135,993	0.0780%
18	Montelibano, A. Hijos, Inc.	120,750	0.0692%
19	Carnet Machineries & Invest. Corp	119,842	0.0687%
20	Filipinas Bag Corporation	106,936	0.0613%

¹based on the total common shares issued of 174,444,759

V. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

Market Information

Registrant's common shares are listed with the Philippine Stock Exchange. The Registrant was listed on 13 March 1974.

Trading of shares was suspended on May 16, 2008, for this reason, no transaction was recorded for the last three (3) years. Last transaction date was on February 4, 2008, high at ₱6.00 per share and February 11, 2008 and low at ₱3.60 per share.

Dividends

Dividends may be declared annually or often as the Board of Directors may determine. The Board of Directors may declare dividend only from the surplus profits of the Corporation.

With the approval of the stockholders representing two-thirds ($\frac{2}{3}$) of all the outstanding capital stock entitled to vote, given at a general meeting or at a special meeting duly called for the purpose, the Board may declare that dividends ne paid in stock.

Recent Sale of Unregistered Securities

None

Stock Options

None

VI. COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

The Board of Directors adopted the Revised Manual on Corporate Governance on March 23, 2011 as a conscious attempt to significantly enhance PNCC's corporate organization to make it valuable partner of the national government being its majority shareholder and to its public stockholders as well. On September 3, 2014, the Revised Manual on Corporate Governance has been amended in compliance with the Revised Code of Corporate Governance, SEC Memorandum Circular No. 9, Series of 2014, and consistent with commitments made in the 2013 Annual Corporate Governance Report (ACGR) that was filed by the Company with the SEC and PSE.

Board meetings are held monthly or as often as necessary. The Board maintained the following committees to assist in good governance:

Executive Committee. Has the power to pass and act upon matters affecting general policy and upon such matters as the Board of Directors may entrust to it for action in between meetings of the Board.

Audit & Finance Committee. Worked hand in hand to oversee the financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations.

Nomination and Compensation Committee. Establishes a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's culture, strategy and the business environment in which it operates.

Legal Committee. Review major issues regarding the status of the Company's compliance with laws and regulations, as well as major legislative and regulatory developments that may have significant impact on the Company.

The Company is committed to promote and pursue corporate governance reforms and to continuously observe the principles of fairness, accountability and transparency. The Board adopted the PSE's Corporate Governance Guidelines Disclosure Survey as basis for evaluation system to determine the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance.

Moreover, the Governance Commission on GOCCs (GCG), established on 08 October 2015, the Corporate Governance Scorecard (CGS) for GOCCs, developed using a methodology benchmarked against the Principles of Corporate Governance of the Organization for Economic Co-operation and Development (OECD) and the ASEAN Corporate Governance Scorecard. The CGS aims to annually assess the Corporate Governance performance of GOCCs and recognize well-governed GOCCs. The Governance Commission, in partnership with the Institute of Corporate Directors (ICD) established the CGS to raise the Corporate Governance standards and practices of GOCCs to be at par with the ASEAN state-owned enterprises. The CGS assesses each GOCC's governance policies and practices on Stakeholder Relationships, Disclosure and Transparency, and Responsibilities of the Board. For 2015, the Company has a total score of 45.48 and ranked 38th among 90 GOCCs.

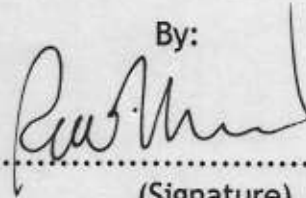
As of January 31, 2016, there were not able to fully satisfy the Company's Manual of Corporate governance and the Company because of peculiar circumstances of PNCC as a corporation. The Board is taking the preliminary steps to move towards the adherence to principles and practices of good corporate governance.

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Paranaque on August 15, 2016.

By:



.....
(Signature)

RENATO M. MONSANTO /ASST. CORPORATE SECRETARY

.....
(Printed Name/Title)