

COVER SHEET

SEC Registration Number

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COMPANY NAME

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I	N	C	.		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S									

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

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Form Type

SEC Form 17-Q - 2nd
Quarter 2017

Department requiring the report

C F D

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's email Address

Company's Telephone Number/s

849 - 3600

Mobile Number

No. of Stockholders

Annual Meeting (Month / Day)

June 7

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Vincent Paul O. Piedad

Email Address

paul.piedad@cemex.com

Telephone Number/s

(02) 849 3725

Mobile Number

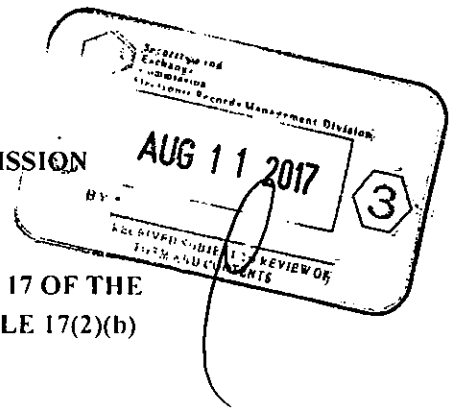
CONTACT PERSON'S ADDRESS

34th Floor, Petron Mega Plaza, 358 Sen. Gil J. Puyat Avenue, Makati City

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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



- 1. For the quarterly period ended **June 30, 2017**
- 2. SEC Identification Number. **CS201518815**
- 3. BIR Tax Identification No. **009-133-917-000**
- 4. Exact name of registrant as specified in its charter. **CEMEX HOLDINGS PHILIPPINES, INC.**
- 5. Province, country or other jurisdiction of incorporation or organization **Metro Manila, Philippines**
- 6. Industry Classification Code: 1 (SEC Use Only)
- 7. Address of issuer's principal office and postal code **34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City 1200**
- 8. Issuer's telephone number, including area code **(02) 849-3600**
- 9. Former name, former address and former fiscal year, if changed since last report - **NA**
- 10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares	5,195,395.454

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

Yes No

Stock Exchange: Philippine Stock Exchange
Securities Listed: Common Shares

12. Indicate by check mark whether the registrant:

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

Yes No

(b) has been subject to such filing requirements for the past ninety (90) days. Yes No

FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited condensed consolidated financial statements as at and for the six-months ended June 30, 2017 and the audited consolidated statement of financial position as at December 31, 2016 and unaudited statement of profit or loss and other comprehensive income for the six-months ended June 30, 2016, and the related notes to the unaudited condensed consolidated interim financial statements of CEMEX Holdings Philippines, Inc. and its Subsidiaries as at June 30, 2017 are filed as part of this Form 17-Q as Appendix I.

The term "Parent Company" used in this report refers to CEMEX Holdings Philippines, Inc. without its Subsidiaries. The term "Company" refers to the Parent Company together with its consolidated Subsidiaries.

On a consolidated group basis, the Parent Company is a subsidiary of CEMEX, S.A.B. de C.V. ("CEMEX"), a company incorporated in Mexico with address of its principal executive office at Avenida Ricardo Margain Zozaya #325, Colonia Valle del Campestre, Garza Garcia, Nuevo León, Mexico.

The Company presents comparative unaudited condensed consolidated financial statements for the six months ended June 30, 2017 and unaudited financial statements for the six months ended June 30, 2016. On January 1, 2016 the Parent Company acquired, directly and indirectly through intermediate holding companies, a 100% equity interest in each of Solid Cement Corporation ("Solid") and APO Cement Corporation ("APO").

The Company also includes CEMEX Asia Research AG ("CAR"), a wholly-owned subsidiary incorporated in December 2015 under the laws of Switzerland. Pursuant to license agreements that CAR entered into with CEMEX Research Group AG ("CRG") and CEMEX, respectively, CAR became a licensee for certain trademarks, including the CEMEX trademark, and other intangible assets forming part of the intellectual property portfolio owned and developed by CEMEX. CAR is engaged primarily in the development, maintenance and customization of these intangible assets for the Asia Region and it in turn provides non-exclusive licenses to Solid and APO to use the CEMEX trademark and other trademarks and intangible assets of CEMEX.

In May 2016, the Parent Company incorporated a wholly-owned subsidiary named Falcon Re Ltd. ("Falcon") under the Companies Act of Barbados. Falcon is registered to conduct general insurance business, all risk property insurance, political risks insurance and non-damage business interruption insurance, and received its license to operate as an insurance company in July 2016. Falcon acts as a re-insurer to the extent of 10% of the risks associated with the property of insurance coverage and 100% of the risks associated with political violence and non-damage business interruption programs of the operating subsidiaries of the Parent Company.

On July 18, 2016, the Parent Company's initial public offering ("IPO") of 2,337,927,954 common shares at P10.75 per share culminated with the listing and trading under the Main Board of the Philippine Stock Exchange of all of the outstanding shares of capital stock of the Parent Company consisting of 5,195,395,454 common shares.

Several important operational arrangements became effective as a result of the consummation of the IPO: (a) The new operational arrangement that recognizes the limitation of 5% of net sales of the Company with respect to corporate service charges and royalties/license fee payable to certain subsidiaries of CEMEX was implemented with retroactive effect as of January 1, 2016; (b) The new reinsurance arrangement affecting 100% of the risks associated with political violence and non-damage business interruption and 10% of the risks associated with property insurance coverage of the operating subsidiaries of the Company became effective from August 1, 2016.

The impact of these operational arrangements were not reflected in the unaudited consolidated financial statements of the Company as at June 30, 2016 since these arrangements only became effective upon consummation of the IPO in July 2016. In contrast, the impact of these operational arrangements are reflected in the unaudited condensed consolidated interim financial statements of the Company as at and for the six-months ended June 30, 2017 which form part of this Form 17-Q.

During the first quarter of 2017, the remaining balance of the proceeds from the IPO were used in the first quarter of 2017 to partially repay amounts outstanding under the long-term loan with New Sunward Holding B.V. (“NSH Long-term Loan”). New Sunward Holding B.V. is a subsidiary of CEMEX.

Furthermore, on February 1, 2017, the Parent Company signed a senior unsecured peso term loan facility agreement with BDO Unibank, Inc. for an amount of up to the Philippine Peso equivalent of US\$280 Million (“BDO Refinancing Loan”), to refinance a majority of the Parent Company’s outstanding balance due under the NSH Long-term Loan.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion and analysis of our unaudited condensed consolidated interim financial condition and results of operations as at and for the six months ended June 30, 2017, the audited consolidated financial condition as at December 31, 2016, and unaudited consolidated interim results of operations for the six-months ended June 30, 2016, and certain trends, risks and uncertainties that may affect our business. Comparative interim figures for 2016 were available for the discussion of the Company’s financial performance however CAR was still in its pre-operating stage in the first quarter of 2016 that resulted in higher royalty expense compared to the comparative quarter. Also, Falcon Re. Ltd was not yet part of the consolidated figures since it was incorporated only in July 2016.

Financial Performance

For the six months ended June 30, 2017 and 2016:

Revenue

Revenue for the six month period ended June 30, 2017 and 2016 amounted to P11.0 billion and P12.7 billion, respectively. The breakdown of revenue after elimination of transactions between consolidated entities for the six months ended June 30, 2017 and 2016 were as follows:

<i>Segment</i>	For the six months ended June 30, 2017		For the six months ended June 30, 2016	
	<i>Amount*</i>	<i>% Sales</i>	<i>Amount*</i>	<i>% Sales</i>
Cement sales	P10,849	98.7%	P12,496	98.3%
Other business	140	1.3%	222	1.7%
Total	P10,989	100%	P12,718	100%

**Amounts in thousands*

For the six months ended June 30, 2017, domestic gray cement volume decreased 6% and our average selling price for domestic gray cement declined 8% against same period last year. During the second quarter, our cement sales volumes decreased by 3% and our average selling price for cement decreased 9%, in each case compared with the same period of the prior year.

Cost of Sales

Cost of sales for the six month period ended June 30, 2017 and 2016 amounted to P6.1 billion and P6.6 billion, respectively. As a percentage of revenue, cost of sales increased by 3.3 percentage points year-on-year, due to timing of annual maintenance shutdowns.

During the six months ended June 30, 2017, power and fuel represented approximately 21% and 20%, respectively, of cost of sales.

Gross Profit

As a result of the above conditions, gross profit for the six months ended June 30, 2017 and 2016 reached P4.9 billion and P6.1 billion, respectively. Gross profit as a percentage of revenue for the six months ended June 30 2016 and 2017 represented 44.5% and 47.8%, respectively.

Operating Expenses

Operating expenses amounted to P3.7 billion and P5.1 billion, respectively, for the six months ended June 30, 2017 and 2016. Operating expenses were composed of administrative, selling, and distribution expenses. Administrative and selling expenses amounted to P1.6 billion and P3.2 billion or 14.3% and 24.9% of revenue for the first six months of 2017 and 2016. This includes royalties, amounting to P406.3 million and P1,593.1 million, respectively and insurance, amounting to P88.3 million and P606.3 million, respectively. Distribution expenses amounted to P2.1 billion and P2.0 billion, respectively, for the six months ended June 30, 2017 and 2016, which accounted for 19.3% and 15.5%, respectively, of net sales.

Other expenses included in operating expenses covered administrative services, salaries and wages, utilities and administrative supplies, taxes and licenses, depreciation, advertising, travel expenses and others.

Operating income before other expenses-net

For the reasons discussed above, profit from operations amounted to P1.2 billion and P937.1 million, respectively, for the six months ended June 30, 2017 and 2016. These comprised 10.9% and 7.4% of revenue, respectively.

Financial Expenses, Net

Net financial expenses for the six months ended June 30, 2017 and 2016 amounted to P458.6 million and P488.0 million, respectively. For the second quarter of 2017 and 2016, net financial expenses amounted to P200.1 million and P467.5 million, respectively.

Foreign Exchange Loss, net

Net foreign exchange loss of P129.3 million and P335.4 million were reported for the six months ended June 30, 2017 and 2016, respectively. Significant reduction of foreign exchange loss reflected two main factors: (a) The full payment of the NSH Long-term Loan by way of refinancing a majority of the balance of this foreign currency denominated loan into the local currency denominated BDO Refinancing Loan and (b) less currency exchange rate fluctuation in the second quarter 2017 versus same quarter last year.

Other Income (Expenses), Net

Net other income (expenses) for the six month period ended June 30, 2017 and 2016 was P21.8 million and (P68.5 million), respectively.

Income Tax

As a result of operations, our income tax expense for the six months ended June 30, 2017 and 2016 amounted to P150.5 million and P1.5 million, respectively.

Profit

As a result of the abovementioned concepts, profit for the six months ended June 30, 2017 and 2016 amounted to P486.1 million and P43.6 million, respectively.

Financial Position

As at June 30, 2017 and December 31, 2016:

Cash and Cash Equivalents

Cash and cash equivalents amounted to P1,173.0 million and P1,337.1 million as at June 30, 2017 and December 31, 2016, respectively. As at June 30, 2017, cash and cash equivalents of P1,173.0 million including P321.5 million cash on hand and in banks and P851.6 million in short term investments which are readily convertible to cash. As at December 31, 2016, cash and cash equivalents of P1,337.1 million including P579.6 million cash on hand and in banks and P757.5 million in short term investments which are readily convertible to cash.

Trade Receivables - Net

Accounts receivables amounted to P986.9 million and P909.7 million as at June 30, 2017 and December 31, 2016, net of allowance for impairment losses amounting to P26.0 million and P10.6 million, respectively, which mainly pertained to receivables from customers.

Due from Related Parties

Related party balances amounted to P16.5 million and P215.2 million as at June 30, 2017 and December 31, 2016, respectively, resulting primarily from the sale of goods, invoicing of administrative services, and advances and loans between related parties. Please see details in Note 9 in attached unaudited condensed consolidated financial statements.

Other Current Accounts Receivable

Other accounts receivables amounted to P62.4 million and P127.3 million as at June 30, 2017 and December 31, 2016, respectively.

Inventories

Inventories amounted to P3.2 billion and P2.6 billion as at June 30, 2017 and December 31, 2016, respectively. Inventories consisting of cement, clinker and work in process amounted to P2.0 billion and P1.4 billion for the year 2017 and 2016, respectively, and the remaining balance referred to spare parts. Inventories are measured at cost or net realizable value, whichever is lower.

Prepayments and Other Current Assets

Other current assets amounted to P1.4 billion and P1.4 billion as at June 30, 2017 and December 31, 2016, respectively which referred primarily to prepayments of insurance, P440.6 million and P900.5 million, respectively, and prepayment of taxes, P352.2 million and P310.7 million, respectively.

Investment in an Associate and Other Investments

Investments in Associates cover minority equity investments in Greencrete Inc. and Calabar Aggregates Corporation.

Other Assets and Noncurrent Accounts Receivable

Other assets amounting to P385.3 million and P320.5 million as at June 30, 2017 and December 31, 2016, respectively primarily consisted of long term performance deposits of P122.3 million and P112.2 million and guarantee bonds used in operations amounting to P145.1 million and P92.3 million, respectively. The rest mainly referred to noncurrent portion of the unamortized transportation allowances of employees and other long-term prepayments.

Property, Machinery and Equipment -net

Property, machinery and equipment had a balance of P15.6 billion and P15.8 billion as at June 30, 2017 and December 31, 2016, respectively. As at June 30, 2017 and December 31, 2016, P195.6 million and P534.1 million, respectively, were incurred for maintenance capital expenditures and P236.7 million and P796.3 million, respectively, for strategic capital expenditures.

Deferred Income Tax Assets -Net

The Company's deferred income tax asset amounted to P627.3 million and P444.6 million as at June 30, 2017 and December 31, 2016, respectively which represented future tax benefit from operating losses.

Goodwill

The Company's goodwill arose from the business combinations when the Parent Company acquired its subsidiaries.

Trade Payables

Trade payables as at June 30, 2017 and December 31, 2016 amounted to P2.6 billion and P2.2 billion, respectively, which were related to purchases of raw materials and other goods, and services provided by third parties.

Due to Related Parties

Short-term payable to related parties had a balance of P1.8 billion and P1.5 billion as at June 30, 2017 and December 31, 2016, respectively. Long-term payable to related parties amounted to P1.1 billion and P15.9 billion as at June 30, 2017 and December 31, 2016, respectively. The significant decrease of long-term loan was due to the complete repayment of the NSH Long-term Loan following the availment of the BDO Refinancing Loan.

Income Tax Payable, Other Accounts Payable and Accrued Expenses, Unearned Revenue, and Provisions

Other payables and accruals which amounted to P1.9 billion and P2.0 billion as at June 30, 2017 and December 31, 2016, respectively, pertained mainly to advances from customers, provisions, and tax payables.

Retirement Benefits Liability

Retirement Benefits Liability amounting to P810.2 million and P769.3 million as at June 30, 2017 and December 31, 2016, respectively, pertained to the provision recognized by the Company associated with employees' defined benefit pension plans.

Long-term Bank Loan

Long-term bank loan amounting to P14.0 billion as at June 30, 2017 referred to the BDO Refinancing Loan, the purpose of which was to refinance a majority of the Parent Company's outstanding NSH Long-term Loan.

Other Noncurrent Liabilities

Other noncurrent liabilities of P20.6 million and P14.8 million as at June 30, 2017 and December 31, 2016, respectively referred to provision for asset retirement obligation.

Common Stock

As at June 30, 2017, the total authorized capital stock of the Parent Company consisted of 5,195,395,454 common shares at a par value of P1 per share, and the total issued and outstanding capital stock was 5,195,395,454 common shares at a par value of P1 per share.

Other Equity Reserves

The amount referred to the cumulative effects of items and transactions that were, temporarily or permanently, recognized directly to stockholders' equity which included share-based compensation, remeasurement of retirement benefits liability, net of tax, cumulative currency translation of a foreign subsidiary and unrealized gains and losses arising from coal hedge contract accounted for as cash flow hedge.

Retained Earnings

Retained earnings of P1.9 billion and P1.4 billion as at June 30, 2017 and December 31, 2016, respectively, included the Company's cumulative net results of operations.

Key Performance Indicators

The Company sets certain performance measures to gauge its operating performance periodically and to assess its overall state of corporate health. Listed below are the major performance measures, which the Company has identified as reliable performance indicators. Analyses are employed by comparisons and measurements on a consolidated basis based on the financial data as at June 30, 2017 and 2016.

Key Financial Indicators	Formula	For the period ended June 30, 2017	For the year ended December 31, 2016
Current Ratio	Current Assets/Current Liabilities	1.1 : 1	1.2 : 1
Solvency Ratio	Profit + Depreciation /Total Liabilities	0.05 : 1	0.12 : 1
Net debt to Equity Ratio	Total liabilities less cash and cash equivalents/Total Equity	0.7 : 1	0.7 : 1
Asset to Equity Ratio	Total Assets/Total Equity	1.8 : 1	1.8 : 1

Key Financial Indicators	Formula	For the period ended June 30, 2017	For the period ended June 30, 2016
Interest Rate Coverage Ratio	Operating income before other expenses-net/financial expenses	2.6 : 1	1.9 : 1
Profitability Ratio	Operating income before other expenses-net/Revenue	0.11: 1	0.07 : 1

Aging of Accounts Receivables

As at June 30, 2017 the aging analysis of various accounts receivable are as follows:

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		1 to 30 days	31 to 60 days	More than 60 days		
Trade receivables	920,449	35,496	9,968	20,975	26,028	1,012,916
Receivables from related parties	16,522	-	-	-	-	16,522
Other current accounts receivables	62,416	-	-	-	-	62,416
	999,387	35,496	9,968	20,975	26,028	1,091,854
Allowance for impairment losses	-	-	-	-	(26,028)	(26,028)
	999,387	35,496	9,968	20,975	P-	1,065,826

SIGNATURES


Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CEMEX HOLDINGS PHILIPPINES, INC.

By:



IGNACIO ALEJANDRO MIJARES ELIZONDO
President & Chief Executive Officer
11 August 2017



VINCENT PAUL PIEDAD
Treasurer
11 August 2017



Item 1. Financial Statements.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED INTERIM
STATEMENTS OF FINANCIAL POSITION**
(Amounts in Thousands)

	<i>Note</i>	June 30 2017 (Unaudited)	December 31 2016 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	6, 12	P1,173,039	P1,337,155
Trade receivables - net	12	986,888	909,667
Due from related parties	9, 12	16,522	215,215
Other current accounts receivables	12	62,416	127,346
Inventories		3,179,122	2,577,577
Prepayments and other current assets		1,442,582	1,420,056
Total Current Assets		6,860,569	6,587,016
Noncurrent Assets			
Investments in an associate and other investments		15,273	15,273
Other assets and noncurrent accounts receivables	12	385,321	320,489
Property, machinery and equipment - net	7	15,592,084	15,814,811
Deferred income taxes - net		627,339	444,601
Goodwill		27,859,694	27,859,694
Total Noncurrent Assets		44,479,711	44,454,868
		P51,340,280	P51,041,884
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables		P2,576,788	P2,170,646
Due to related parties	9	1,803,150	1,482,096
Unearned revenue, other accounts payable and accrued expenses		1,808,183	1,958,973
Income tax payable		73,438	42,490
Total Current Liabilities		6,261,559	5,654,205
Noncurrent Liabilities			
Long-term bank loan	11	13,977,250	-
Long-term payable to related parties	9	1,058,948	15,919,322
Retirement benefits liability		810,170	769,340
Other noncurrent liabilities		20,610	14,805
Total Noncurrent Liabilities		15,866,978	16,703,467
Total Liabilities		22,128,537	22,357,672

	<i>Note</i>	June 30 2017 (Unaudited)	December 31 2016 (Audited)
Equity			
Controlling interest:			
Common stock	8	P5,195,395	P5,195,395
Additional paid-in capital		21,959,159	21,959,159
Other equity reserves		162,034	120,556
Retained earnings		1,894,924	1,408,856
Total controlling interest		29,211,512	28,683,966
Non-controlling interest		231	246
Total Equity		29,211,743	28,684,212
Total Liabilities and Equity		P51,340,280	P51,041,884

See Notes to the Condensed Consolidated Interim Financial Statements.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED
INTERIM STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
(Amounts in Thousands, Except Per Share Data)
(Unaudited)

		For the Six Months Ended June 30		For the Three Months Ended June 30	
	<i>Note</i>	2017	2016	2017	2016
REVENUE		₱10,989,341	₱12,718,249	₱5,626,964	₱6,390,040
COST OF SALES		(6,096,885)	(6,640,693)	(3,307,369)	(3,409,218)
GROSS PROFIT		4,892,456	6,077,556	2,319,595	2,980,822
OPERATING EXPENSES					
Administrative and selling expenses		(1,571,976)	(3,168,880)	(816,036)	(1,595,400)
Distribution expenses		(2,117,743)	(1,971,607)	(1,068,935)	(981,426)
TOTAL OPERATING EXPENSES		(3,689,719)	(5,140,487)	(1,884,971)	(2,576,826)
OPERATING INCOME BEFORE OTHER EXPENSES - Net		1,202,737	937,069	434,624	403,996
FINANCIAL EXPENSES		(458,612)	(487,998)	(200,134)	(467,495)
FOREIGN EXCHANGE LOSS - Net		(129,327)	(335,389)	(41,282)	(138,646)
OTHER INCOME (EXPENSES) - Net		21,780	(68,522)	2,614	(76,640)
EARNINGS BEFORE INCOME TAX		636,578	45,160	195,822	(278,785)
INCOME TAX BENEFIT (EXPENSE)		(150,525)	(1,513)	(59,308)	108,130
PROFIT (LOSS)		486,053	43,647	136,514	(170,655)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of employee benefits liability		2,649	(1,443)	1,337	1,108
Income tax recognized directly in other comprehensive income		(795)	433	(401)	(332)
		1,854	(1,010)	936	776
Items that will be reclassified subsequently to profit or loss					
Currency translation of a foreign subsidiary		46,429	(4)	24,244	94
Cash flow hedge		(6,805)	-	1,970	-
		39,624	(4)	26,214	94
		41,478	(1,014)	27,150	870
COMPREHENSIVE INCOME (LOSS)		527,531	42,633	163,664	(169,785)
Non-controlling interest comprehensive loss		15	14	7	8
CONTROLLING INTEREST IN CONSOLIDATED COMPREHENSIVE INCOME (LOSS)		₱527,546	₱42,647	₱163,671	(₱169,777)
Basic / Diluted Earnings (Loss) Per Share	5	₱0.09	₱0.06	₱0.03	(₱0.13)

See Notes to the Condensed Consolidated Interim Financial Statements.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)
(Unaudited)

	For The Six Months Ended June 30, 2017						
	Common Stock (see Note 8)	Additional Paid-in Capital	Other Equity Reserves	Retained Earnings (Deficit)	Total Controlling Interest	Non-controlling Interest	Total Stockholders' Equity
As at January 1, 2017	₱5,195,395	₱21,959,159	₱120,556	₱1,408,856	₱28,683,966	₱246	₱28,684,212
Profit for the period	-	-	-	486,068	486,068	(15)	486,053
Total comprehensive income for the period	-	-	41,478	-	41,478	-	41,478
As at June 30, 2017	₱5,195,395	₱21,959,159	₱162,034	₱1,894,924	₱29,211,512	₱231	₱29,211,743

	For The Six Months Ended June 30, 2016						
	Common Stock	Additional Paid-in Capital	Other Equity Reserves	Retained Earnings (Deficit)	Total Controlling Interest	Non-controlling Interest	Total Stockholders' Equity
As at January 1, 2016	₱9,400	₱-	(₱34)	(₱4,634)	₱4,732	₱-	₱4,732
Issuance of capital stock	2,848,068	-	-	-	2,848,068	-	2,848,068
Share issuance cost	-	-	-	(24,858)	(24,858)	-	(24,858)
Equity forward derivatives effect	-	-	-	9,032	9,032	-	9,032
Profit for the period	-	-	-	43,661	43,661	(14)	43,647
Changes in non-controlling interest	-	-	-	-	-	270	270
Total comprehensive income for the period	-	-	(1,014)	-	(1,014)	-	(1,014)
Share-based compensation	-	-	3,725	-	3,725	-	3,725
As at June 30, 2016	₱2,857,468	₱-	₱2,677	₱23,201	₱2,883,346	₱256	₱2,883,602

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED INTERIM****STATEMENTS OF CASH FLOWS**

(Amounts in Thousands)

(Unaudited)

For The Six Months Ended June 30

	<i>Note</i>	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit		₱486,053	₱43,647
Allocation for non-controlling interest		–	257
Adjustments for:			
Depreciation of property, machinery and equipment	7	655,183	626,415
Financial expenses, other financial expenses and unrealized foreign exchange result		543,418	710,719
Income tax expense		150,525	1,513
Retirement benefit expense		43,479	–
Provisions during the period		61,984	47,533
Results from the sale of assets		591	(596)
Stock-based compensation expense		–	3,725
Operating profit before working capital changes		1,941,233	1,433,213
Changes in working capital, excluding income taxes:			
Decrease (increase) in:			
Trade receivables - net		(103,250)	(236,992)
Due from related parties		199,755	569,390
Other current accounts receivables		65,398	(109,139)
Inventories		(601,545)	180,712
Prepayments and other current assets		(4,257)	180,911
Increase (decrease) in:			
Trade payables		324,257	(180,074)
Due to related parties		325,130	2,245,167
Unearned revenue, other accounts payable and accrued expenses		(282,019)	144,001
Cash generated from operations		1,864,702	4,227,189
Financial expenses paid		(482,549)	(27,980)
Financial income received in cash		1,825	–
Income taxes paid		(306,450)	(387,138)
Net cash provided by operating activities		1,077,528	3,812,071

Forward

For The Six Months Ended June 30

	<i>Note</i>	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, machinery and equipment	7	(P381,708)	(P88,130)
Collection from sale of investment property and property, plant and equipment		162	218,932
Decrease in other asset and noncurrent accounts receivable		-	14,256
Cash and cash equivalents acquired through business combination		-	2,674,963
Collection from sale of investments in shares of stock		-	1,476,056
Net cash provided by (used in) investing activities		(381,546)	4,296,077
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loan	11	14,012,281	7,302,350
Proceeds on loan from related parties	9	520,870	40,269,677
Payment of loan to related parties		(15,353,834)	(55,318,257)
Payment of bank loan		(35,031)	-
Proceeds from issuance of common stock		-	2,823,209
Net cash used in financing activities		(855,714)	(4,923,021)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(159,732)	3,185,127
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(4,384)	(17,092)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		1,337,155	4,922
CASH AND CASH EQUIVALENTS AT END OF PERIOD		P1,173,039	P3,172,957

See Notes to the Condensed Consolidated Interim Financial Statements.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Amounts in Thousands, Except per Share Data, Number of Shares and When Otherwise Stated)

1. Reporting Entity

CEMEX Holdings Philippines, Inc. (the "Parent Company"), a subsidiary of CEMEX Asian South East Corporation ("CASEC"), was incorporated as a stock corporation on September 17, 2015 under Philippine laws with a corporate life of fifty (50) years, primarily to invest in or purchase real or personal property; and to acquire and own, hold, use, sell, assign, transfer, mortgage all kinds of properties such as shares of stock, bonds, debentures, notes, or other securities and obligations; provided that the Parent Company shall not engage either in the stock brokerage business or in the dealership of securities, and in the business of an open-end investment company as defined in Republic Act 2629, Investment Company Act.

CASEC was incorporated as a stock corporation on August 25, 2015 under Philippine laws.

On a consolidated group basis, the Parent Company is a subsidiary of CEMEX, S.A.B. de C.V. ("CEMEX"), a company incorporated in Mexico with address of its principal executive office at Avenida Ricardo Margain Zozaya #325, Colonia Valle del Campestre, Garza Garcia, Nuevo León, Mexico.

The term "Parent Company" used in these accompanying notes to the condensed consolidated interim financial statements refers to CEMEX Holdings Philippines, Inc. without its subsidiaries. The term "Company" refers to CEMEX Holdings Philippines, Inc., together with its consolidated subsidiaries.

On January 1, 2016, the Parent Company became the holding company of the consolidated entities, majority of whom are doing business in the Philippines. The Parent Company's two principal manufacturing subsidiaries, i.e., APO Cement Corporation ("APO") and Solid Cement Corporation ("Solid"), are involved in the production, marketing, distribution and sale of cement and other cement products. APO and Solid are both stock corporations organized under the laws of the Philippines. The Parent Company holds APO directly and indirectly, through Edgewater Ventures Corporation and Triple Dime Holdings, Inc., whereas the Parent Company holds Solid and Solid's subsidiaries directly and indirectly, through Bedrock Holdings, Inc. and Sandstone Strategic Holdings, Inc.

The Company also includes CEMEX Asia Research AG ("CAR"), a wholly-owned subsidiary incorporated in December 2015 under the laws of Switzerland. Pursuant to license agreements that CAR entered into with CEMEX Research Group AG ("CRG") and CEMEX, respectively, CAR became a licensee for certain trademarks, including the CEMEX trademark, and other intangible assets forming part of the intellectual property portfolio owned and developed by CEMEX. CAR is engaged primarily in the development, maintenance and customization of these intangible assets for the Asia Region and it in turn provides non-exclusive licenses to Solid and APO to use the CEMEX trademark and other trademarks and intangible assets of CEMEX.

In May 2016, the Parent Company incorporated a wholly-owned subsidiary named Falcon Re Ltd. ("Falcon") under the Companies Act of Barbados. Falcon is registered to conduct general insurance business, all risk property insurance, political risks insurance and non-damage business interruption insurance, and received its license to operate as an insurance company in July 2016. Falcon acts as a re-insurer to the extent of 10% of the risks associated with the

property of insurance coverage and 100% of the risks associated with political violence and non-damage business interruption programs of the operating subsidiaries of the Parent Company.

On June 30, 2016, the Philippine Securities and Exchange Commission (“SEC”) resolved to render effective the Registration Statement of the Parent Company and issued a Certificate of Permit to Offer Securities for Sale in favor of the Parent Company. On July 18, 2016, the Parent Company’s initial public offering (“IPO”) of 2,337,927,954 common shares at ₱10.75 per share culminated with the listing and trading of shares of stocks under the Main Board of the Philippine Stock Exchange, resulting in an increase in capital stock of ₱2,337,927 and additional paid-in capital of ₱21,959,159, net of ₱835,639 transaction costs that is accounted for as a reduction in equity.

The Parent Company’s principal office is located at 34th Floor Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City, Philippines.

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. These condensed consolidated interim financial statements do not include all of the information required for a complete set of financial statements and should be read in conjunction with the annual consolidated financial statements of the Company as at and for the year ended December 31, 2016.

Basis of Measurement

The condensed consolidated interim financial statements have been prepared on a historical basis of accounting, except for retirement benefits liability which is measured at the present value of the defined benefit obligation less the fair value of plan assets and certain derivative asset that is measured at fair value.

Functional and Presentation Currency

These condensed consolidated interim financial statements are presented in Philippine peso, which is the Company’s functional currency. All amounts have been rounded-off to the nearest thousands, except per share data, number of shares and when otherwise indicated.

Use of Judgments and Estimates

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and use assumptions that affect the application of the Company’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments and estimates made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the annual financial statements.

During the six months ended June 30, 2017, management reassessed its estimates in respect of the allowance for impairment losses on receivables. As at June 30, 2017 and December 31, 2016, allowance for impairment losses on receivables amounted to ₱26.0 million and ₱10.6 million respectively (see Note 12).

3. Significant Accounting Policies

The significant accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the annual financial statements.

Changes in Accounting Policies

The following amendments to standards are effective for the six months ended June 30, 2017, and have been applied in preparing these condensed consolidated interim financial statements. The adoption of these amendments to standards did not have any significant impact on the Company's condensed consolidated interim financial statements:

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

The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12, Income Taxes)*. The amendments clarify that:
 - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;
 - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;
 - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
 - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. On initial application, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company applies the relief, it shall disclose that fact.

New Standards and Amendments to Standards Not Yet Adopted

The new standards and amendments to standards discussed below is effective for annual periods beginning after January 1, 2017, and have not been applied in preparing these condensed interim financial statements.

Effective January 1, 2018

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

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

The Company has decided not to early adopt PFRS 9 (2014) for its 2016 financial reporting. Based on management's review, the new standard will potentially have an impact on the classification of its financial assets, but will have no significant impact on the measurement of its outstanding financial assets and financial liabilities.

- *Classification and Measurement of Share-based Payment Transactions (Amendments to PFRS 2)*. The amendments cover the following areas:
 - *Measurement of cash-settled awards*. The amendments clarifies that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments –i.e. the modified grant date method.
 - *Classification of awards settled net of tax withholdings*. The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if:
 - the terms of the arrangement permit or require a company to settle the transaction net by withholding a specified portion of the equity instruments to meet the statutory tax withholding requirement (the net settlement feature); and
 - the entire share-based payment transaction would otherwise be classified as equity-settled if there were no net settlement feature.

The exception does not apply to equity instruments that the company withholds in excess of the employee's tax obligation associated with the share-based payment.

- *Modification of awards from cash-settled to equity settled*. The amendments clarify that when a share-based payment is modified from cash-settled to equity-

settled, at modification date, the liability for the original cash-settled share-based payment is derecognized and the equity-settled share-based payment is measured at its fair value, recognized to the extent that the goods or services have been received up to that date. The difference between the carrying amount of the liability derecognized, and the amount recognized in equity, is recognized in profit or loss immediately.

The amendments are effective for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective or early application is permitted.

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

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 15.

- *Philippine Interpretation IFRIC-22 Foreign Currency Transactions and Advance Consideration*. The amendments clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

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

- *Annual Improvements to PFRSs 2014 - 2016 Cycle*. This cycle of improvements contains amendments to three standards. The following is the said improvements or amendments to PFRSs effective for annual periods beginning on or after January 1, 2018, which is applicable to the Company. Such improvements or amendments has no significant effect on the condensed consolidated interim financial statements of the Company:
 - *Measuring an associate or joint venture at fair value (Amendments to PAS 28, Investments in Associates and Joint Ventures)*. The amendments provide that a venture capital organization, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss.

This election can be made on an investment-by-investment basis. The amendments also provide that a non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. The amendments are applied retrospectively, with early application permitted.

Effective January 1, 2019

- *PFRS 16, Leases*, supersedes *PAS 17, Leases*, and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16. The Company is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date.

- *Deferral of the local implementation of Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28, Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28)*. The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

- *Deferral of the local implementation of Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate*

Philippine Interpretation IFRIC 15 applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or

through subcontractors. It provides guidance on the recognition of revenue among real estate developers for sales of units, such as apartments or houses, 'off plan'; i.e., before construction is completed. It also provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11 or PAS 18 and the timing of revenue recognition.

The SEC issued a Notice dated August 5, 2011 to further defer the implementation of Philippine Interpretation IFRIC 15 until the final Revenue standard is issued by the International Accounting Standards Board ("IASB") and after an evaluation on the requirements and guidance in the said standard vis-à-vis the practices and regulations in the Philippine real estate industry is completed.

4. Seasonality of Operations

The Company's sales are subject to seasonality. Sales are generally higher in the hot, dry months from March through May and lower during the wetter monsoon months of June through November. While these factors lead to a natural seasonality on the Company's sales, unseasonable weather could also significantly affect sales and profitability compared to previous comparable periods. Low sales are likewise experienced around the Christmas and New Year holiday period in December through early January. Consequently, the Company's operating results may fluctuate. In addition, the Company's results may be affected by unforeseen circumstances, such as production interruptions. Due to these fluctuations, comparisons of sales and operating results between periods within a single year, or between different periods in different financial years, are not necessarily meaningful and should not be relied on as indicators of the Company's performance.

5. Basic/Diluted Loss Per Share

Basic and diluted loss per share is computed as follows:

	For the Six Months Ended June 30 2017 (Unaudited)	For the Six Months Ended June 30 2016 (Unaudited)
Net profit	₱486,053	₱43,647
Add: non-controlling interest net loss	15	14
Controlling interest in net income (a)	₱486,068	₱43,661
Weighted average number of shares outstanding - Basic/Diluted (b)	5,195,395,454	688,338,654
Basic/Diluted EPS (a/b)	₱0.09	₱0.06

As at June 30, 2017 and 2016, the Company has no dilutive equity instruments.

6. Cash and Cash Equivalents

Consolidated cash and cash equivalents as at June 30, 2017 and December 31, 2016, consisted of:

	2017 (Unaudited)	2016 (Audited)
Cash and cash in bank	P321,487	P579,622
Short-term investments	851,552	757,533
	P1,173,039	P1,337,155

Cash in banks earns interest at the prevailing bank deposit rates. Short-term investments are made for varying periods of up to three months, depending on the immediate cash requirements of the Company, and earn interest ranging from 0.6% to 1.1% in 2017. For the six months ended June 30, 2017 interest income amounted to P1,199.

As of June 30, 2017 and as of December 31, 2016, Short-term investments include deposits of the Company with related parties which are considered highly liquid investments readily convertible to cash, as follows:

	2017 (Unaudited)	2016 (Audited)
New Sunward Holding B.V. ¹	P851,552	P52,543
Citibank, N.A	-	24,990
BDO Unibank, Inc.	-	680,000
	P851,552	P757,533

¹The investment are due on demand and bear interest at a rate equivalent to the higher of Western Asset Institutional Liquid Reserves Fund (WAILRF) rate minus 10 basis points or zero interest.

The Company's exposure to credit risk related to cash and cash equivalents is disclosed in Note 12 to the condensed consolidated interim financial statements.

7. Property, Machinery and Equipment

The movements in this account are as follows:

	Building	Machinery and equipment	Construction In-progress	Total
Gross Carrying Amount				
January 1, 2017	₱3,982,565	₱11,915,071	₱1,025,207	₱16,922,843
Additions	2,696	35,439	394,195	432,330
Disposals	(2,263)	(24,563)	–	(26,826)
Reclassifications and transfers	15,926	76,660	(91,707)	879
June 30, 2017 (Unaudited)	3,998,924	12,002,607	1,327,695	17,329,226
Accumulated depreciation				
January 1, 2017	153,493	954,539	–	1,108,032
Depreciation	86,313	568,870	–	655,183
Disposals	(2,263)	(23,810)	–	(26,073)
June 30, 2017 (Unaudited)	237,543	1,499,599	–	1,737,142
Carrying Amounts				
January 1, 2017	₱3,829,072	₱10,960,532	₱1,025,207	₱15,814,811
June 30, 2017 (Unaudited)	₱3,761,381	₱10,503,008	₱1,327,695	₱15,592,084

8. Equity

Common Stock

This account consists of:

	June 30, 2017 (Unaudited)		December 31, 2016 (Audited)	
	Shares	Amount	Shares	Amount
Authorized - ₱1.00 par value per share	5,195,395,454	₱5,195,395	5,195,395,454	₱5,195,395
Issued, fully paid and outstanding balance at beginning/end of period	5,195,395,454	₱5,195,395	5,195,395,454	₱5,195,395

On September 17, 2015, CASEC subscribed to 376,000 shares of stock of the Parent Company at ₱100 par value. Of the agreed subscription price of ₱37,600, only ₱9,400 was paid in 2015, while the remainder of ₱28,200 was paid in 2016. In 2016, the Parent Company's Board of Directors approved the amendment of and increase in the authorized capital stock of the Parent Company from ₱150,400, divided into 1,504,000 common shares with par value of ₱100 per share, to ₱5,195,395, divided into 5,195,395,454 common shares with par value of ₱1 per share.

On May 20, 2016, the SEC approved the Parent Company's application for the amendment of and increase in its authorized capital stock. Accordingly, the original subscription of CASEC changed from 376,000 common shares with par value of ₱100 per share to 37,600,000 common shares with par value of ₱1 per share. Furthermore, in connection with the increase in authorized capital stock, CASEC subscribed to an additional 2,819,867,500 shares at ₱1 par value per share or a total par value of ₱2,819,868 which

was fully paid. During the IPO which culminated in the listing of all of the outstanding shares of stock of the Parent Company on July 18, 2016, the Parent Company issued additional 2,337,927,954 shares at ₱1 par value per share or a total par value of ₱2,337,928 at the offer price of ₱10.75 per share (see Note 1).

Capital Management

The Company's objectives when managing capital are to increase the value of shareholders' investment and maintain high growth by applying free cash flow to selective investments. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Board of Directors has overall responsibility for the monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry. The Company's capital is defined as "Total Equity" as shown in the condensed consolidated interim statements of financial position.

The Company is not subject to externally imposed capital requirements. The Company's net debt to equity ratio at the reporting dates is as follows:

	June 30 2017 (Unaudited)	December 31 2016 (Audited)
Total liabilities	₱22,128,537	₱22,357,672
Less cash and cash equivalents	(1,173,039)	(1,337,155)
Net debt	₱20,955,498	₱21,020,517
Total equity	₱29,211,743	₱28,684,212
Net debt to equity ratio	₱0.72:1	₱0.73:1

9. Related Party Transactions

Related party relationship exists when the other party (i) has control or joint control of the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. A related party relationship is deemed to exist when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making the financial and/or operating decisions. Another criteria recognizes a related party relationship, whether or not the ability to control exists, if any of the following conditions applies to an entity: (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others, (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member), (iii) both entities are joint ventures of the same third party, (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity, or (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity (If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity).

Related party transactions are shown under the appropriate accounts in the condensed consolidated interim financial statements as at and for the period ended June 30, 2017 and December 31, 2016 are as follows:

	2017 (Unaudited)	2016 (Audited)
Receivables – current		
<i>Ultimate Parent</i>		
CEMEX, S.A.B de CV ¹	P-	P10,326
<i>Other related parties</i>		
Island Quarry and Aggregates Corporation (“IQAC”) ²	15,245	197,904
APO Land & Quarry Corporation (“ALQC”) ³	1,217	3,513
CEMEX Strategic Philippines, Inc. ⁴	10	-
CEMEX Research Group AG ⁵	-	2,306
CEMEX Concrete (Malaysia) Sdn Bhd ⁶	-	1,084
Others	50	82
Total accounts receivable from related parties	P16,522	P215,215
Payables – current		
<i>Other related parties</i>		
Transenergy, Inc. ⁷	P823,733	P533,517
CEMEX Construction Materials South, LLC ⁸	545,119	573,836
CEMEX Research Group AG ⁵	210,687	6,940
Cemex Central, S.A. de C.V. (“CEMEX Central”) ⁹	144,195	-
Island Quarry and Aggregates Corporation ¹⁰	29,395	221,396
APO Land & Quarry Corporation ¹¹	22,536	28,723
CEMEX Asia Pte Ltd (“CAPL - PHQ”) ⁹	14,404	105,381
CEMEX Strategic Philippines, Inc. ¹²	7,116	10,950
Cemex México, S.A. de C.V. ¹³	4,466	-
CEMEX Asia, B.V. ¹⁴	-	426
Others ¹⁵	1,499	927
Total accounts payable to related parties	1,803,150	1,482,096
Payable - non current		
CEMEX Asia, B.V. ¹⁴	1,058,948	1,361,862
New Sunward Holding B.V. ¹⁶	-	14,557,460
Total accounts payable to related parties	P2,862,098	P17,401,418

¹ The balance, which is unsecured, with no impairment, noninterest-bearing and due on demand, pertains to diesel hedge;

² The balance, which is unsecured, with no impairment, noninterest-bearing and due on demand includes a) advances related to purchase of raw materials amounting to P180,723 for 2016; b) receivables arising from the sale of goods with a 30-day term and without interest amounting to for 2017 and 2016 are P7,375 and P9,821, respectively; c) receivables from service agreements amounting to P1,428 and P4,174, respectively; d) project income P1,989 for 2016; e) lease payments advances amounting to P6,225 in 2017; and f) others amounting to P217 and P1,197, for 2017 and 2016, respectively. In 2016, Solid entered into an agreement with IQAC wherein the former shall provide back-office and other support services to the latter. Fees are calculated at cost incurred plus mark-up;

³ In 2016, Solid and APO entered into separate agreements with ALQC wherein each of Solid and APO shall provide back-office and other support services to the latter. Fees are calculated at cost incurred plus mark-up. The balance, which is unsecured, with no impairment, noninterest-bearing and due on demand includes a) receivables from service agreement amounting to for 2017 and 2016 are P1,205 and P3,492, respectively; and b) others amounting to P12 and P21, respectively;

⁴ The balance is generated from reimbursable expenses, which is unsecured, noninterest-bearing and due on demand;

⁵ The balance is generated from royalties/license fees of the Company, which is unsecured, noninterest-bearing and due on demand;

⁶ The balance, which is unsecured, with no impairment, noninterest-bearing and due on demand, pertains to receivables arising from billed expenses;

⁷ The balance pertains to purchase of coal with a term of 30 days, no interest and unsecured;

⁸ The balance, which is unsecured, noninterest-bearing and due on demand, is generated for the purchase of equipment for the expansion of Solid plant;

⁹ The balance includes corporate services and administrative services received by the Company which has a term of 30 days, noninterest-bearing and is unsecured. In 2009, Solid and APO entered into separate service agreements with CAPL - PHQ wherein the latter shall provide services relating to, among others, general administration and planning; business planning and coordination; marketing control and; sales promotion and business development. In the implementation of these service agreements, CAPL-PHQ also arranged for certain services to be performed by CEMEX Central and accordingly CAPL-PHQ collected from each of Solid and APO, as reimbursement, the fees billed by CEMEX Central for services rendered. In 2017, the arrangement between CAPL-PHQ and CEMEX Central was changed resulting in Solid and APO entering into separate service agreements directly with CEMEX Central wherein the latter shall provide to the companies those particular services previously performed by CEMEX Central through the service agreements with CAPL - PHQ;

¹⁰ The balance includes a) fees related to purchases of raw materials amounting for 2017 and 2016 are P29,387 and P218,350, respectively, which is unsecured, noninterest-bearing and due on demand; b) unsecured payable arising from purchase of raw materials with a 30-day term and noninterest-bearing amounting to P3,023 for 2016; c) unsecured payable arising from land rental with a 30-day term and noninterest-bearing amounting to P4 for 2016; and d) other non-trade payables amounting to P8 and P19, respectively, which are unsecured, noninterest-bearing and due on demand;

¹¹ The balance includes a) purchase of raw materials with a 30-day term amounting to P22,536 for 2017 and P27,716 for 2016; and b) advances amounting P1,007 for 2016. These transactions are unsecured and are noninterest-bearing;

¹² The balance is generated from corporate services and administrative services rendered to the Company which has a term of 30 days, noninterest-bearing and is unsecured;

¹³The balance, which is unsecured, with no impairment, noninterest-bearing and due on demand; pertains to the Company's purchase of spare parts from Cemex México, S.A. de C.V.;

¹⁴The balance pertains to the Company's loan to CEMEX Asia, B.V. The loan bears interest at 5.9% - 6.8% for the period ended June 30, 2017. The loan is unsecured and is due to be paid in 2018 and 2019 for Solid and APO, respectively. Solid paid the loan as at June 30, 2017;

¹⁵The balance, which are unsecured, noninterest-bearing and are due on demand includes a) purchases of materials and spare parts from Beijing CXP Import & Export Co., Ltd. amounting to P837 as at June 30, 2017 and P662 as at December 31, 2016; b) purchase of materials from CEMEX Internacional S.A. de C.V. amounting to P662 as at June 30, 2017; and c) purchase of materials from CEMEX Admixtures GmbH amounting to P265 as at December 31, 2016;

¹⁶The balance pertains to interest-bearing long term loan payable. The loan bears interest of 7.535% per annum and payable in four annual installments starting March 2020 until March 2023. The Company paid the loan as at March 31, 2017.

The main transactions entered by the Company with related parties for the six months ended June 30, 2017 and 2016 are shown below:

	2017	2016
Purchases of raw materials		
Transenergy, Inc.	P 1,236,101	784,181
Island Quarry and Aggregates Corporation.....	152,510	53,340
APO Land & Quarry Corporation.....	120,592	139,523
	P 1,509,203	977,044
Land Rental		
APO Land & Quarry Corporation.....	P 29,105	29,105
Island Quarry and Aggregates Corporation.....	10,259	16,464
	P 39,364	45,569
Royalties and trademarks		
CEMEX Research Group AG.....	P 406,294	1,593,065
Purchase of equipment		
CEMEX Construction Materials South, LLC.....	P 27,420	-
Cemex México, S.A. de C.V.	4,420	-
	P 31,840	-
Corporate services and administrative services		
Cemex Central, S.A. de C.V.	P 144,195	-
CEMEX Asia Pte. Ltd. - Philippine Headquarters.....	78,523	207,099
CEMEX Strategic Philippines, Inc.....	41,285	35,549
Island Quarry and Aggregates Corporation.....	3,355	-
APO Land & Quarry Corporation.....	3,330	-
	P 270,688	242,648
Sales of goods		
Island Quarry and Aggregates Corporation.....	P 41,432	54,179
APO Land & Quarry Corporation.....	79	-
CEMEX Cement (Bangladesh) Ltd.....	-	4,411
	P 41,511	58,590
Reimbursements		
CEMEX Concrete (Malaysia) Sdn Bhd.....	P 136,647	-
Interest income		
New Sunward Holding B.V.....	P 789	-
APO Land & Quarry Corporation.....	-	435
	P 789	435
Interest expense		
New Sunward Holding B.V.		
Long-term.....	P 144,327	377,445
CEMEX Asia, B.V.....	53,296	-
	P 197,623	377,445

10. Segment Information

The Company applies PFRS 8 for the disclosure of its operating segments, which are defined as the components of an entity that engage in business activities from which they may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's top management to make decisions about resources to be allocated to the segments and assess their performance; and for which discrete financial information is available. The Company's main activity is oriented to the construction industry through the production, distribution, marketing and sale of cement, ready-mix concrete and other construction materials. For the six months ended June 30, 2017 and December 31, 2016 the cement sector represented approximately 84.3% and 85.9% of total net revenues before elimination of transactions between consolidated entities.

The main indicator used by the Company's management to evaluate performance is "Operating EBITDA", representing operating earnings before other expenses - net, interest, tax, depreciation and amortization, considering that such amount represents a relevant measure for the Company's management as an indicator of the ability to internally fund capital expenditures, as well as a widely accepted financial indicator to measure the Company's ability to service or incur debt. Operating EBITDA should not be considered as an indicator of the Company's financial performance, as an alternative to cash flow, as a measure of liquidity, or as being comparable to other similarly titled measures of other companies.

11. Long-term bank loan

On February 1, 2017, the Parent Company signed a senior unsecured peso term loan facility agreement with BDO Unibank, Inc. ("BDO") for an amount of up to the Philippine Peso equivalent of U.S. dollar 280 million, to refinance a majority of the Parent Company's outstanding long-term loan with New Sunward Holding B.V. The term loan provided by BDO has a tenor of seven (7) years from the date of the initial drawdown on the facility and consists of a fixed rate and a floating rate tranche. The borrowings or drawdown on this facility totaled ₱14.0 billion. The long-term bank loan interest expense incurred for the six month period ended June 30, 2017 is ₱241.4 million.

12. Financial Instruments and Financial Risk Management

This note presents information on the exposure of the Company for credit risk, foreign currency risk and liquidity risk; goals, policies and procedures of the Company to measure and manage risk and the administration of the Company's resources.

Risk management framework

The Company's management has overall responsibility for the development, implementation and monitoring of the conceptual framework and policies for an effective risk management.

The Company's risk management policies are intended to: a) identify and analyze the risks faced by the Company; b) implement appropriate risk limits and controls; and c) monitor the risks and the compliance with the limits. Policies and risk management systems are regularly reviewed to reflect changes in market conditions and in the Company's activities. By means of its policies and procedures for risk management, the Company aims to develop a disciplined and constructive control environment where all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss faced by the Company if a customer or a counterparty of a financial instrument does not meet its contractual obligations and originates mainly from trade accounts receivable. As at June 30, 2017 and December 31, 2016 the maximum exposure to credit risk is represented by the balance of financial assets. Management has developed policies for the authorization of credit to customers. The exposure to credit risk is monitored constantly according to the behavior of payment of the debtors. Credit is assigned on a customer-by-customer basis and is subject to assessments which consider the customers' payment capacity, as well as past behavior regarding due dates, balances past due and delinquent accounts. In cases deemed necessary, the Company's management requires guarantees from its customers and financial counterparties with regard to financial assets.

The Company's management has established a policy of low risk which analyzes the creditworthiness of each new client individually before offering the general conditions of payment terms and delivery, the review includes external ratings, when references are available, and in some cases bank references. Threshold of credit limits are established for each client, which represent the maximum credit amount that requires different levels of approval. Customers who do not meet the levels of solvency requirements imposed by the Company can only carry out transactions with the Company by paying cash in advance.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at June 30, 2017 and December 31, 2016 is as follows:

	2017 (Unaudited)	2016 (Audited)
Cash and cash equivalents (excluding cash on hand)	P1,172,907	P1,337,023
Trade receivables - net	986,888	909,667
Receivables from related parties	16,522	215,215
Other current accounts receivables	62,416	127,346
Long-term guarantee deposits (under other assets and noncurrent receivables)	267,368	204,463
	P2,506,101	P2,793,714

As at June 30, 2017 and December 31, 2016, respectively, the aging analyses per class of financial assets are as follows:

As at June 30, 2017 (Unaudited)	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		1 to 30 Days	31 to 60 days	More than 60 days		
Cash and cash equivalents (excluding cash on hand)	P1,172,907	P-	P-	P-	P-	P1,172,907
Trade receivables	920,449	35,496	9,968	20,975	26,028	1,012,916
Due from related parties	16,522	-	-	-	-	16,522
Other current accounts receivables	62,416	-	-	-	-	62,416
Long-term deposits (under other noncurrent accounts receivables)	267,368	-	-	-	-	267,368
	2,439,662	35,496	9,968	20,975	26,028	2,532,129
Less: allowance for impairment losses	-	-	-	-	(26,028)	(26,028)
	P2,439,662	P35,496	P9,968	P20,975	P-	P2,506,101

As at December 31, 2016 (Audited)	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		1 to 30 days	31 to 60 days	More than 60 days		
Cash and cash equivalents (excluding cash on hand)	P1,337,023	P-	P-	P-	P-	P1,337,023
Trade receivables	774,265	66,386	13,994	55,022	10,615	920,282
Due from related parties	215,215	-	-	-	-	215,215
Other current accounts receivables	127,346	-	-	-	-	127,346
Long-term deposits (under other noncurrent accounts receivables)	204,463	-	-	-	-	204,463
	2,658,312	66,386	13,994	55,022	10,615	2,804,329
Allowance for impairment losses	-	-	-	-	(10,615)	(10,615)
	P2,658,312	P66,386	P13,994	P55,022	P-	P2,793,714

As at June 30, 2017 and December 31, 2016 the amount of allowance for impairment losses of the Company's subsidiaries amounted to P26,028 and P10,615 considering the Company's best estimates of potential losses based on an analysis of aging and considering management's recovery efforts.

Cash in banks, short-term investments and long-term and guarantee deposits are of high grade quality as these are deposited in reputable financial entities. Of the total trade receivables, due from related parties and other current accounts receivable, 92% and 88% are neither past due nor impaired, and are considered of high grade quality as of June 30, 2017 and December 31, 2016, respectively. Other financial assets that are not considered of high grade quality are considered standard grade quality financial assets. High grade quality financial assets are those assessed as having minimal credit risk, otherwise they are of standard quality. Standard grade quality financial assets are those assessed as having minimal to regular instances of payment default due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

The credit qualities of financial assets that were neither past due nor impaired are determined as follows:

- Cash in banks, short-term investments and long-term guarantee time deposits are based on the credit standing or rating of the counterparty.
- Trade receivables, amounts due from related parties and other current accounts receivable are based on a combination of credit standing or rating of the counterparty, historical experience and specific and collective credit risk assessment.

Foreign currency risk

Foreign currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate in relation to changes in exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates mainly to its operational and financing activities. The objective of foreign currency risk management is to manage and control exposures within acceptable parameters while optimizing the return. The Company's revenues and costs are generated and settled mainly in Philippine peso. For the six months ended June 30, 2017 and as at December 31, 2016 approximately less than 5% of the Company's net sales, before eliminations, were generated in dollars.

The Company had an exposure arising from the foreign currency denominated financial obligations as compared to the currency in which the majority of the Company's revenues are generated. The Company's only revenues denominated in dollars to cover such dollar-denominated obligations are those generated by exports. As at June 30, 2017 and December 31, 2016 the Company does not have any derivative financing hedge for foreign currency denominated financial obligation to address this foreign currency risk.

Foreign exchange fluctuations occur when any member of the Company incur monetary assets and liabilities in a currency different from its functional currency. These translation gains and losses are recognized in the condensed consolidated interim statements of profit or loss.

As at June 30, 2017 and December 31, 2016, a summary of the quantitative information of the exposure of the Company due to foreign currencies is provided to the administration on the basis of its risk management policy as follows:

Amounts in thousands of dollars	As at June 30, 2017	
	(in USD)	(in EUR)
Cash and cash equivalents.....	\$17,180	€-
Receivable from related parties.....	-	-
Trade payables.....	(1,042)	(673)
Payable to related parties.....	(55,237)	-
Net assets denominated in foreign currency..	(\$39,099)	(€673)

Amounts in thousands of dollars	As at December 31, 2016	
	(in USD)	(in EUR)
Cash and cash equivalents.....	\$2,307	€-
Receivable from related parties.....	254	-
Trade payables.....	(19,022)	(8,477)
Payable to related parties.....	(342,591)	-
Net assets denominated in foreign currency..	(\$359,052)	(€8,477)

Sensitivity Analysis

As at June 30, 2017 and December 31, 2016, a hypothetical 5% appreciation of the Philippine Peso against the U.S. Dollar and Euro, with all other variables held constant, the Company's net income for six months ended June 30, 2017 and for the year ended December 31, 2016 would have increased by approximately ₱70,425 and ₱640,339, net of tax, due to lower foreign exchange losses on the Company's dollar-denominated net monetary assets held by consolidated entities with other functional currencies. Conversely, a hypothetical 5% instant depreciation of the dollar against the Philippine peso would have the opposite effect.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the Company's income or the value of its holdings of financial instruments. As of June 30, 2017 the Company is exposed to interest rate risk primarily on its investment in New Sunward Holding B.V, with a rate equivalent to the higher of WAILRF rate minus 10 basis points or zero interest and its long-term liability to CEMEX Asia BV, with LIBOR based interest rates. The Parent Company executed a long-term facility agreement with BDO, for an aggregate principal amount of up to the Philippine Peso equivalent of \$280 million. The borrowings or drawdown on this facility totaled ₱14.0 billion, with a floating interest rate tranche corresponding to ₱8.4 billion.

Sensitivity Analysis

As at June 30, 2017 and December 31, 2016, a hypothetical 1% increase in interest rate, with all other variables held constant, the Company's profit for the six-months ended June 30, 2017 and for the year ended December 31, 2016 would have decreased by approximately ₱60,069 and ₱9,165 net of tax, respectively. Conversely, a hypothetical 1% decrease in interest rate would have the opposite effect.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds available to meet its obligations. The Company has fulfilled its operational liquidity needs primarily through its own operations and expects to continue to do so for both the short and long-term liabilities. Although cash flow from the Company's operations has historically covered its overall liquidity needs for operations, servicing debt and funding capital expenditures and acquisitions, the consolidated entities are exposed to risks from changes in foreign currency exchange rates, prices and currency controls, interest rates, inflation, governmental spending, social instability and other political, economic and/or social developments in the countries in which they operate, any one of which may materially decrease the Company's net income and reduce cash flows from operations. Accordingly, in order to meet its liquidity needs, the Company also relies on cost-control and operating improvements to optimize capacity utilization and maximize profitability. The Company's consolidated net cash flows provided by operating activities, as presented in its unaudited condensed consolidated interim statement of cash flows, was ₱1,077,528 and ₱3,812,071 as at June 30, 2017 and 2016, respectively. The Company's trade payables, due to related parties, taxes payable and other accounts payable and accrued expenses are expected to be settled within one year. Trade payables are noninterest-bearing and are normally settled on a 30-days term. In addition, there is no significant concentration of a specific supplier relating to the purchase of raw materials.

The table below summarizes the maturity profile of the Company's long-term loans with bank and related parties as at June 30, 2017 and December 31, 2016.

	June 30, 2017				
	Carrying Amount	Contractual Cash Flow	One year or less	More than one year but less than five years	More than five years
Long-term loans (unaudited)	₱15,036,198	₱16,988,504	₱761,501	₱14,559,608	₱1,667,395

	December 31, 2016				
	Carrying Amount	Contractual Cash Flow	One year or less	More than one year but less than five years	More than five years
Long-term loans (audited)	₱15,919,322	₱23,959,826	₱1,219,843	₱17,995,563	₱4,744,420

Insurance Risk management

As mentioned in Note 1, the Parent Company incorporated Falcon to create its own reserves and reinsure in respect of the Company's property, non-damage business interruption and political risks insurance. Falcon is expected to retain 10% of the risk in connection with property insurance and 100% of the risk in connection with earthquake and wind stop loss, non-damage business interruption and political risks insurance of the Parent Company's operating subsidiaries. As a result of these arrangements, the Company will effectively self-

insure these risks to the extent of Falcon's retained liability. There can be no assurance that the reserves established by Falcon will exceed any losses in connection with the Company's selfinsured risks. In addition, the Company's insurance coverage is subject to periodic renewal. If the availability of insurance coverage is reduced significantly for any reason, the Company may become exposed to certain risks for which it is not and, in some cases could not be, insured. Moreover, if the Company's losses exceed its insurance coverage, or if the Company's losses are not covered by the insurance policies it has taken up, or if Falcon is required to pay claims to its insurer pursuant to the reinsurance arrangements, the Company may be liable to cover any shortfall or losses. The Company's insurance premiums may also increase substantially because of such claim from the Company's insurers. The foregoing risk exposure is mitigated, through making reasonable approximation after an evaluation of reported claims in the past of the Parent Company's operating subsidiaries, by retaining only insurance risk from insurance policies in which the operating subsidiaries have low probability of incurring losses.

13. Fair values of financial assets and financial liabilities

The fair values of cash and cash equivalents, trade receivables, amounts due from and due to related parties, other current accounts receivable, accounts payable and accrued expenses reasonably approximate their carrying amounts considering the short-term maturities of these financial instruments. The fair value of the long-term payable to CEMEX Asia B.V., which is based on the present value of future cash flows discounted at market rate of interest at the reporting date (discounted cash flows under level 2 of the fair value hierarchy), approximates its carrying amount as at June 30, 2017 as the said financial instruments bear interest at LIBOR rates, which is approximately similar to the market interest rate. The fair values of the long-term loan from BDO, which is also based on the present value of future cash flows discounted at market rate of interest at the reporting date (discounted cash flows under level 2 of the fair value hierarchy), approximate its carrying amounts as at June 30, 2017 as the financial instruments bear interest at rates which is approximately similar to market interest rates. The fair value of the rental guarantee deposits approximate its carrying amount since the Company does not anticipate its carrying amount to be significantly different from the actual amount that the rental guarantee deposits would eventually be collected.

14. Contingencies

As at June 30, 2017, the Company is involved in various legal proceedings of minor impact that have arisen in the ordinary course of business. These proceedings involve: 1) claims for environmental damages; 2) claims to revoke permits and/or licenses; 3) national and local tax assessments; 4) labor claims; and 5) other diverse civil actions. The Company considers that in those instances in which obligations have been incurred, the Company has accrued adequate provisions to cover the related risks. The Company believes these matters will be resolved without any significant effect on its business, condensed consolidated interim financial position or condensed consolidated interim financial performance. In addition, in relation to ongoing legal proceedings, the Company is sometimes able to make a reasonable estimate of the expected loss or range of possible loss, as well as disclose any provision accrued for such loss. However, for a limited number of ongoing proceedings the Company may not be able to make a reasonable estimate of the expected loss or range of possible loss or may be able to do so but believes that disclosure of such information on a case-by case

basis would seriously prejudice Company's position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, in these cases, the Company has disclosed qualitative information in its annual financial statements with respect to the nature and characteristics of the contingency, but has not disclosed the estimate of the range of potential loss.