COVER SHEET

43370

SEC Registration Number

F & J PRINCE HOLDINGS CORPORATION

(Company's Full Name)

5TH FLOOR CITIBANK CENTER 8741 PASEO DE ROXAS MAKATI

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

Atty. Fina Bernadette D.C. Tantuico

Contact Person

8927133 · 8927137

Company Telephone Numbers

12	31
Month	Day

Fiscal Year

04	12
Month	Day

Annual Meeting

SEC FORM 17-A
(As of 31 December 2019)

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

Form Type

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total Number of Stockholders

Domestic

Foreign

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

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

1. FOR THE FISCAL YEAR ENDED .... **31 December 2019**

2. SEC IDENTIFICATION NUMBER .... **43370** 3. BIR TAX IDENTIFICATION NO. **000-829-097**

4. EXACT NAME OF ISSUER AS SPECIFIED IN ITS CHARTER .... *F & J Prince Holdings Corporation*

5. **Philippines** ....
PROVINCE, COUNTRY OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION

6. [   ] (SEC Use Only)
INDUSTRY CLASSIFICATION CODE:

7. **5th Floor, Citibank Center Building, 8741 Paseo de Roxas, Makati City** **1226**
ADDRESS OF PRINCIPAL OFFICE — POSTAL CODE

8. **(632) 892-7133**
ISSUER'S TELEPHONE NUMBER, INCLUDING AREA CODE

9. ....
FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR, IF CHANGED SINCE LAST REPORT

10. SECURITIES REGISTERED PURSUANT TO SECTIONS 8 AND 12 OF THE SRC OR SEC. 4 AND 8 OF THE RSA:

TITLE OF EACH CLASS	NUMBER OF SHARES OF COMMON STOCK OUTSTANDING AND AMOUNT OF DEBT OUTSTANDING
Class "A" Common	292,610,118
Class "B" Common	189,217,535

11. **ARE ANY OR ALL OF THESE SECURITIES LISTED ON A STOCK EXCHANGE?**

Yes [✓]   No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange   **Common Shares, Classes "A" and "B "**

12. **CHECK WHETHER THE ISSUER:**

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

Yes [✓]   No [ ]

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

Yes [✓]   No [ ]

13. **STATE THE AGGREGATE MARKET VALUE OF THE VOTING STOCK HELD BY NON-AFFILIATES OF THE REGISTRANT. ***

The market value of stocks held by non-affiliates of the Corporation, based on closing prices as of 27 December 2019, was Three Pesos and Ninety Nine Centavos, Philippine Currency (₱3.99) per share for Class "A" shares, with an aggregate market value of One Billion One Hundred Sixty Seven Million Five Hundred Thirteen Thousand Nine Hundred Thirty One Pesos, Philippine Currency (₱1,167,513,931.00) and Three Pesos and Sixty One Centavos, Philippine Currency (₱3.61) per share for Class "B" shares, as of December 16, 2019 the last trading day when the Class "B" shares were traded in 2019, with an aggregate market value of Six Hundred Eighty Three Million, Seventy Five Thousand and Three Hundred One Pesos, Philippine Currency (₱683,075,301.00).

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

14. **CHECK WHETHER THE ISSUER HAS FILED ALL DOCUMENTS AND REPORTS REQUIRED TO BE FILED BY SECTION 17 OF THE CODE SUBSEQUENT TO THE DISTRIBUTION OF SECURITIES UNDER A PLAN CONFIRMED BY A COURT OR THE COMMISSION.**

Yes [✓]   No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

No documents are incorporated by reference.

PART I - BUSINESS AND GENERAL INFORMATION

ITEM I. BUSINESS

A. BUSINESS DEVELOPMENT

Business Development of the Registrant

The Registrant was incorporated and registered with the Securities and Exchange Commission ("SEC") on 18 February 1971 to engage primarily in the business of mining, including mineral and oil exploration. Its shares were registered and listed with the SEC in 1979 and thereafter listed and traded at the Manila Stock Exchange. Presently, its shares are listed with the Philippine Stock Exchange ("PSE").

On 28 July 1997, the Registrant's primary purpose was changed to that of a holding company. At present, the Registrant holds a 94.37% majority interest in Magellan Capital Holdings Corporation ("MCHC").

In addition, the Registrant owns 30% of Pointwest Technologies Corporation ("PTC"), a software servicing and development company. The Registrant also owns 35% of Business Process Outsourcing International, Inc. ("BPOI") a provider of accounting-based business process outsourcing ("BPO") services to a large number of clients.

From its incorporation to the present, the Registrant has not been subject to any bankruptcy, receivership or similar proceedings. There has been no material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets other than in the ordinary course of business and other than the sale by MCHC of its shares in one of its subsidiaries to J.G. Summit Holdings, Inc.

Business Development of the Registrant's Subsidiaries

Magellan Capital Holdings Corporation ("MCHC") is a corporation which was incorporated and registered with the SEC on 06 November 1990. The Registrant owns a 94.37% majority interest in MCHC. MCHC's primary purpose is to engage in the business of identifying, developing and implementing infrastructure and industrial projects. On December 7, 2006, the Registrant acquired the shares of MCHC owned by PSEG Philippines Holdings LLC which represented a 27.67% total equity stake in MCHC. As a result of this transaction, the Registrant increased its ownership stake in MCHC from 66.67% to 94.37%. Because the shares were acquired at a substantial discount to book value, the Registrant booked a gain of ₱201.3 million representing excess of fair value of net assets acquired over cost in 2006.

MCHC owns 100% of the shares of the following companies:

NAME OF COMPANY	DATE OF INCORPORATION	PRIMARY PURPOSE
Pinamucan Industrial Estates, Inc.	05 May 1993	Real Estate Holding and Development
Malabrigo Corporation	31 August 1993	Mining
Magellan Capital Trading, Inc.	07 January 1991	Trading
Magellan Capital Realty Development Corporation	14 November 1990	Realty

From its incorporation to the present, none of the Registrant's above-named subsidiaries have been subject to any bankruptcy, receivership or similar proceedings. There has also been no material reclassification, merger, consolidation, or purchase or sale of a significant amount of their assets other than in the ordinary course of business.

Business of Registrant

Description of Registrant

The Registrant is a holding company. At present, it owns almost 95% of its subsidiary, MCHC, which is currently invested in real estate assets and in bond and stock investments and in shares of its subsidiaries. Most of the Registrant's indirect operating subsidiaries, i.e. MCHC's subsidiaries, are in development of infrastructure projects, as well as landholding and development. The Registrant also owns 30% of PTC, a software servicing development company and 35% of BPOI which it acquired in 2004 and 2005 respectively.

Percentage of Consolidated Total Revenues

Breakdown of Revenues for the year 2019

	CONSOLIDATED TOTAL REVENUES	PERCENTAGE BREAKDOWN
Equity in Net Earnings (Losses) of Associates	₱ 5,344,072	6.6%
Interest Income	36,276,019	45.1%
Net Foreign Exchange Gains	(22,852,246)	(28.4%)
Gain on Disposal of AFS, FVPL and HTM Financial Assets	3,919,157	4.9%
Rent	25,140,621	31.2%
Dividend Income	4,856,887	6.0%
Fair Value Gain (Loss) on Financial Assets of FVPL	27,685,974	34.4%
Others	78,240	0.1%
Total	**₱ 80,448,724**	**100.00%**

Breakdown of Revenues for the year 2018

	CONSOLIDATED TOTAL REVENUES	PERCENTAGE BREAKDOWN
Equity in Net Earnings of Associates	₱ (13,972,203)	(22.2%)
Interest Income	33,083,309	52.6%
Net Foreign Exchange Gains	31,645,114	50.4%
Loss on Disposal of AFS and FVPL Financial Assets	(1,333,289)	(2.1%)
Rent	23,167,135	36.9%
Dividend Income	3,718,041	5.9%
Fair Value Gain on Financial Assets at FVPL	(14,162,960)	(22.5%)
Others	692,916	1.1%
Total	**₱ 62,832,568**	**100.00%**

The Registrant's consolidated revenue in 2019 increased to ₱80.4 million from ₱62.8 million in 2018. Equity in net earnings of associates increased from a loss of P13.9 million in 2018 to a gain of ₱5.3 million in 2019 as Pointwest Technologies Corporation reduced its losses as it embarked on a Retrenchment Program to deal with the loss of a major account and reduced revenue on another major account. Interest income increased to ₱36.3 million in 2019 from ₱33.1 million in 2018. A net foreign exchange loss of ₱22.9 million was recorded in 2019 compared to a gain of ₱31.6 million in 2018 as the Peso gained against foreign currencies which penalized the foreign exchange denominated bonds and other securities held by the Registrant and its subsidiary. Rent increased from ₱23.2 million in 2018 to ₱25.1 million in 2019 due to adjustment of rental rates. Gain on disposal of AFS, HTM and FVPL and FVOSZ Financial Assets was ₱3.9 million in 2019 compared to a loss of ₱1.3 million in 2018. Dividend income increased to ₱4.9 million in 2019 from ₱3.7 million in 2018. Fair value gain on Financial Assets at FVPL was ₱27.7 million in 2019 compared to loss of ₱14.2 million in 2018.

B. PRINCIPAL PRODUCTS AND SERVICES OF MCHC

Currently, MCHC, the Registrant's subsidiary, has direct holdings in real estate and stock and bond investments. It also owns shares in subsidiaries and affiliates engaged in development of infrastructure projects and in real estate investment and development.

(a) Power Generation Project Companies

As a result of the crippling power shortages in the 1980s, the Philippine government launched its program to encourage private sector participation in the power industry through the enactment of Executive Order No. 215 ("EO 215"). Under EO 215, independent power producers ("IPPs") may participate in bulk generation to serve the requirements of the National Power Corporation ("NPC"), electric cooperatives, private utilities and other customers. It was against this background that MCHC's power generation project companies, Magellan Utilities Development Corporation ("MUDC"), Magellan Cogeneration, Inc. ("MCI") and Mactan Power Corporation ("MPC") were organized, on the basis of BOO schemes under Republic Act No. 6957, as amended by Republic Act No. 7718. The MPC project was sold by MCHC in 1997 right before the onset of the Asian economic crisis. The MCI project was completed and sold in 1998.

MUDC, which was established to develop an approximately 320MW power plant in Pinamucan, Batangas is 43%-owned by MCHC. The other major shareholder in MUDC is GPU Power Philippines, Inc. ("GPU Power"), with a 40% equity interest. GPU Power is a subsidiary of GPU Corporation ("GPU"), the former parent company of Manila Electric Company ("MERALCO"). GPU was a U.S.-based energy holding company with about US$11 billion in assets that operates utilities and power plants in New Jersey and Pennsylvania, U.S.A. GPU has been acquired by First Energy Corporation of Ohio which has decided to withdraw from the project and has done so by liquidating GPU Power.

MUDC initially had a 25-year power sales contract with MERALCO, under which MUDC was to supply power to MERALCO from its 300 MW coal-fired power plant to be constructed in Pinamucan, Batangas. Under a Memorandum of Agreement executed in December 1998, the parties agreed to execute a power purchase agreement whereby MERALCO would purchase the power generated from MUDC's 320 MW power plant, which was to be fuelled primarily by natural gas. The said power purchase agreement has not yet been finalized.

As a result of the project's uncertain prospects, the Registrant's auditor recommended and management had agreed that provision be made for all project development expenditures and pre-operating expenses by MUDC in line with current accounting standards. MUDC has decided not to proceed with its power project due to MERALCO's unwillingness to enter into a revised Power Purchase Agreement and due to the withdrawal of its foreign partner, GPU. In addition, MCHC has almost fully provided for its receivables due from MUDC. In 2008, in the Registrant's Consolidated Financial Statements, receivables due to MCHC's subsidiary, Pinamucan Industrial Estates, Inc., were also fully provisioned. Thus, the Registrant's remaining exposure to the MUDC project is minimal at the end of 2019.

(b) Real Estate Holding and Development Companies

Until July 2011, MCHC owned 100% interest in Batangas Agro-Industrial Development Corporation ("BAID").

BAID has the following wholly-owned subsidiaries which together with BAID own 50 hectares of land fronting Batangas Bay in Pinamucan, Batangas:

(1) Fruit of the East, Inc.;
(2) United Philippines Oil Trading, Inc.;
(3) Hometel Integrated Management Corporation;
(4) King Leader Philippines, Inc.;
(5) Samar Commodities & Industrial Corporation; and
(6) Tropical Aqua Resources, Inc.

In July 2011, MCHC sold all its shares in BAID to J.G. Summit Holdings, Inc. for a total consideration of ₱1.04 billion.

(c) Principal Products and Services of Pointwest Technologies Corporation ("PTC")

PTC is a global service company offering outsourced IT services from the Philippines. It is led by an experienced management team that helped pioneer offshore outsourcing in the Philippines. The Registrant is a founding shareholder of PTC and owns 30% of its equity. Among others, PTC offers software servicing, maintenance, testing, and development to various clients mostly in the United States. It started operations in 2003 and had built up to a staffing level of over One Thousand (1,000) IT Professionals and Support Staff. But recent restructuring due to loss of two major accounts has reduced staffing level to below One Thousand. PTC's consolidated revenue in 2019 reached over Fourteen Million US Dollars ($14 Million). Net loss of PTC was reduced by half to $1.0 Million in 2019 from $2 Million in 2018 as its retrenchment bore results.

(d) Principal Products and Services of Business Process Outsourcing International, Inc. ("BPOI")

BPOI is a provider of finance and accounting services such as payroll services, internal audit, payables processing and other accounting based services. It has a total of over 600 employees servicing many of the large multinationals operating in the country. BPOI was spun off from the BPO department of SGV & Co, the biggest auditing firm in the country. The Registrant is a major shareholder of BPOI with a 35% ownership stake. BPOI's revenues in 2019 exceeded ₱437 million and has over 400 accountants and support staff and net income improved to ₱62.8 million from ₱52.5 million in 2018.

Competition

Pointwest Technologies Corporation and BPOI face competition from other providers of software and business process outsourcing services both in the country and abroad. Outsourcing is a competitive industry and being competitive requires ability to provide quality and reliable service and ability to control costs so that operating margins are maintained at viable levels.

Transactions with and/or Dependence on Related Parties

The Registrant's subsidiary, MCHC and certain of MCHC's subsidiaries and affiliates as well as Registrant's affiliate, BPOI have transactions with each other such as rental contracts and intercompany loans. These transactions are on arms-length basis and, in the case of partially owned affiliates, are subject to approval of unrelated shareholders of these affiliates. In the case of rental contracts, the rental rates charged are similar to those charged to outside parties leasing similar properties.

Patents, Trademarks, Copyrights, Etc.

There are no patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts and the like, owned by or pertaining to the Registrant and its subsidiary, MCHC.

Costs and Effects of Compliance with Environmental Laws

Since MUDC has decided not to pursue its power project, there is no anticipated need to comply with any environmental regulations. The other affiliates which are involved in the outsourcing industry which mainly involve the use of computer and other office equipment are expected to have negligible environmental impact.

Employees

The Registrant has three (3) full time employees, one (1) each for accounting, clerical, and administrative and one (1) consultant, not including the employees and consultants retained by the Registrant's subsidiary and affiliates. The Registrant's employees are not subject to any Collective Bargaining Agreements (CBA), nor are they involved in or have threatened to strike for the past three (3) years. Aside from the mandatory 13th month pay and additional 14th month pay and service incentive leaves (vacation and sick) benefits and retirement benefits mandated by R.A. 7641, there are no other benefits that are granted by the Registrant to its employees. The Registrant does not anticipate the need to hire additional employees within the ensuing twelve (12) months.

Risk of the Business of the Registrant and Subsidiaries

1. Pointwest Technologies Corporation (PTC)

PTC would face the normal risks faced by an IT services company serving mostly foreign clients. These risks include: 1) the risk that PTC may not find or retain clients; 2) some contracts are on non-recurring basis and may not be renewed; 3) risk of contract dispute in case of customer dissatisfaction with the services provided; 4) risk of non-collection of receivables due to contract dispute or to financial problems of customers; 5) high staff turnover which may affect service quality; 6) ability to recruit and retain qualified IT professionals; (7) change in foreign exchange rates that may affect the operating margin of its businesses. In the last two years, Pointwest has lost two major accounts but is in the process of restructuring to cope with the lower volume of business as well as finding new clients to replace the lost account

2. Business Process Outsourcing International, Inc. ("BPOI")

BPO would face the normal risks faced by a BPO company which are very similar to the risks faced by an IT services outsourcing company such as PTC. BPOI currently services only domestic clients but intends to develop its foreign business. The risks BPOI takes include: 1) the risk that BPOI may not find or retain clients; 2) some contracts are on non-recurring basis and may not be renewed; 3) risk of contract dispute in case of customer dissatisfaction with the services provided; 4) risk of non-collection of receivables due to contract dispute or to financial problems of customers; 5) high staff turnover which may affect service quality; 6) ability to recruit and retain qualified accounting and finance professionals.

3. Portfolio Investments

The Registrant and its subsidiaries and affiliates also invest their excess cash in bonds, stocks and short-term placements. These involve government securities as well as corporate bond and stock investments which face the normal commercial risks such as price declines, payment defaults and foreign exchange risks in the case of foreign currency denominated investments. The Registrant and its indirect subsidiary Pinamucan Industrial Estate Inc. also own shares in ASLAN Pharmaceuticals Ltd., a Biotech company, which was listed in the Taiwan Stock Exchange last year and has also seen listed in NASDAQ.

Other Interests

MCHC also has a 100% interest in a mining company, Malabrigo Corporation ("Malabrigo"). Malabrigo has a paid-up capital of ₱10,000,000.00 and limestone mining claims in Batangas, which are not considered significant in potential. It has also invested as a partner in a shopping center project in the United States.

There are no patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts and the like owned by or pertaining to the Registrant and its subsidiary, MCHC. Also, no substantial expenditures have been made for research and development activities for the past three (3) years.

ITEM 2. PROPERTIES

Equity Interests. The Registrant' investment in MCHC, consists of shares of common stock with aggregate issued value representing approximately 94.37% of the outstanding shares of MCHC.

MCHC owns 70,458 shares of common stock, representing approximately 43% of the outstanding capital stock of MUDC. MUDC was set up to develop a 320 MW power plant project in Pinamucan, Batangas which has now been aborted. MCHC's exposure to MUDC has been fully provided for in the Consolidated Financial Statements.

MCHC also has equity interests in Pinamucan Industrial Estates, Inc. (100%-owned) and Malabrigo (100%-owned). MCHC also owns 100% of Magellan Capital Trading Corporation; Magellan Capital Realty Development Corporation, two inactive shell companies.

The Registrant owns common shares in Pointwest Technologies Corporation which represent a 30% ownership interest in the company. The Registrant also owns shares of BPOI equivalent to 35% ownership interest in BPOI.

Real Estate. The Registrant has no real estate holdings except through its subsidiary, MCHC.

(a) Condominium Units

MCHC owns five (5) office condominium units which comprise the entire 5th Floor of the Citibank Center building, located at 8741 Paseo de Roxas, Makati City, including five (5) appurtenant parking units, *per* a Deed of Sale executed on 26 April 2000. Three of the five units are being leased out and two units are used as the corporate offices of the Registrant and its subsidiaries. MCHC also owns an office condominium unit on the 25th Floor and two condominium units on the 16th Floor of the Citibank Tower Building in Makati (acquired in December 2014) and ten parking slots which are being leased out at prevailing commercial rates. MCHC has also acquired three residential condominium units in Two Roxas Triangle Tower, a luxury condominium development at Ayala Land and one residential condominium unit in Arya in BGC which is currently leased out.

(b) Office Properties

MCHC, the Registrant's wholly-owned subsidiary, has relocated its corporate offices to its Citicenter Property which consists of the entire 5th Floor of the Citibank Center Building in Makati. The Registrant, as principal shareholder of MCHC, has been allocated office space by MCHC. MCHC has also leased out the four (4) remaining units. One of the units has been leased by Business Process Outsourcing International (BPOI) since February 16, 2009. Three other units are leased out to three other lessees.

MCHC acquired at the end of 2014 two additional condominium office units in Citibank Tower which are currently leased out. MCHC also acquired at the end of 2016 two other condominium units in JMT Condominium Building in Ortigas which are currently leased out. As a result rental income has increased substantially in 2017 and 2018.

(c) Land/Property Ownership

MCHC has acquired a 985 m2 lot in Fort Bonifacio which it plans to develop into an office building for lease. Architectural plans and necessary permits for the building are currently being prepared and applied for. Construction of the building has been delayed due to the COVID-19 pandemic. As of 31 December 2019, the above land and properties are not subject to any mortgages, liens or encumbrances.

ITEM 3. LEGAL PROCEEDINGS

For the past six (6) years up to the present, there are no proceedings involving, and to the best of knowledge, threatened against the Registrant. As of **15 April 2020**, none of the current directors, or nominees for election as director, executive officer, underwriter or control person of the Registrant has been involved in or in the subject of any bankruptcy petition, conviction by final judgment, or is the subject of any order judgment or decree, or involved in any violation of a securities of commodities law.

However, with respect to its subsidiaries, following is a summary of pending litigation involving them:

(a) ***"Rolando M. Zosa v. Magellan Capital Holdings Corporation and Magellan Capital Management Corporation"***, Civil Case No. CEB-18619, Regional Trial Court of Cebu City, Branch 58; *Magellan Capital Management Corporation and Magellan Capital Holdings Corporation v. Rolando M. Zosa, et al."* G.R. No. 129916, Supreme Court; *Ad Hoc Arbitration with an Arbitral Tribunal composed of Justice Florentino P. Feliciano, as Chairman and Attys. Ramon R. Torralba and Enrique I. Quiason as members; Regional Trial Court, Branch 139, SP Proc. No. M-6259 and SP Proc. No. 6264; Court of Appeals, CA GR. SP-144096; CA GR SP NO. 144162.*

This is a case for damages instituted in May 1996, wherein complainant Zosa seeks to enforce his purported rights under his Employment Agreement with defendants and claims entitlement to the following reliefs, to wit:

(1) actual damages in the amount of ₱10,000,000;
(2) attorney's fees in the amount of ₱300,000; and
(3) expenses of litigation in the amount of ₱150,000.

Defendants sought a dismissal of the case, invoking the provision of arbitration in the Employment Contract. In a Decision dated 18 July 1997, the trial court declared invalid the arbitration clause providing for the manner by which the arbitrators will be chosen and substituted the provisions of the Arbitration Law therefore. The Supreme Court, on 26 March 2001 affirmed the trial court's decision which became final and executory. Arbitrators were appointed one by Zosa, on the one hand, and the other jointly appointed by MCHC and MCMC and a third jointly chosen by the two arbitrators.

Sometime in November 2004, the Arbitral Tribunal was finally constituted composed of Justice Florentino P. Feliciano as Chairman and Attys. Ramon R. Torralba and Enrique I. Quiason as members.

On 14 March 2005, the parties submitted to the Tribunal their Confirmation of Agreement to Submit to Arbitration. The Complainant has submitted its Statement of Claims & Memorials. The respondents have submitted their Statement of Defenses and are scheduled to submit their Counter-Memorials on 02 May 2004.

On 02 August 2005, the Memoranda of the parties were submitted and the case was submitted for resolution.

On 06 March 2005, the Tribunal rendered its decision awarding Zosa's claim for severance pay but disallowed his claims for attorney's fees and moral and exemplary damages and costs of suit.

On 12 April 2006, MCHC filed with the Regional Trial Court of Makati City, a verified petition with prayer for the issuance of an Order to Vacate the Arbitral Award, dated 6

March 2006, pursuant to Sections 22 to 29 of Republic Act No. 876 ("The Arbitration Law") and the relevant provisions of Republic Act No. 9825 (the "Alternative Dispute Resolution Act of 2004). Likewise, Zosa filed his Application for Confirmation of Award on 12 April 2006. The two cases were consolidated and are presently pending with Branch 139 of the Regional Trial Court of Makati as Sp. Proc. No. M-6259 and M-6264. The parties are presently awaiting the Court's resolution on the issue of whether the Application for Confirmation of Award was seasonably filed considering the non-payment of docket fees at the time of filing. On 17 March 2009, a hearing was held whereby the Court directed all the parties to submit their respective Memoranda. In compliance with the aforesaid order, MCHC submitted its Memoranda on 17 May 2009. The case was submitted for resolution on 29 January 2013.

On 29 June 2015, the Court rendered its decision confirming the arbitral award directing MCHC solidarily with MCMC to pay Zosa's severance compensation in the amount of ₱14,669,691.43. MCHC filed its Motion for Reconsideration on 23 July 2015 which was denied in an Order dated 7 January 2016. On 9 February 2016, MCHC filed with the Court of Appeals its Petition for Review of the Decision of the Regional Trial Court. MCMC likewise filed its appeal with the said appellate court. On August, 2019, the Court of Appeals denied the Petition for Review. Magellan Capital Holdings Corporation filed a Motion for Reconsideration on 16 September 2019 – assailing the Court of Appeals decision. The Motion for Reconsideration has to date not been resolved.

(b) ***"People of the Philippines vs. Ariel Balatbat"***, Criminal Case No. 115515, Regional Trial Court of Pasig City, Branch 155. MCHC filed a complaint, through its authorized officer, against Ariel Balatbat for qualified theft relating to several unauthorized withdrawals of, and anomalous transactions involving, company funds in the total amount ₱41,021.50 (converted to US$1,000.00). On 29 October 2004, the Court rendered its decision finding the accused guilty beyond reasonable doubt of the crime of qualified theft under Article 310 of the Revised Penal Code and imposed the corresponding penalty of imprisonment of 10 years minimum to a maximum of 14 years. The Decision of the Regional Trial Court was appealed to the Court of Appeals. In a Decision rendered in February 2018, the Court of Appeals reversed the conviction of the accused. As of this writing, MCHC, decided not to appeal the aforesaid Decision of the Court of Appeals for humanitarian reasons, and because the accused had already spent some time in incarceration.

"People of the Philippines vs. Ariel Balatbat", Criminal Case No. 114955, Regional Trial Court of Pasig City, Branch 151. MUDC, through its authorized officer, has also filed a complaint against Ariel Balatbat for qualified theft relating to several unauthorized withdrawals of, and anomalous transactions involving, company funds in the total amount of ₱121,500.00 (equivalent to US$3,000.00), US$4,000.00, and US$1,020.00. Said amounts were never recovered or accounted for. The case is currently pending before the Regional Trial Court, which also issued a warrant of arrest for the same. The bail was set for ₱40,000.00. The accused was arrested and subsequently arraigned. Three (3) witnesses have been presented - two (2) from the bank and one (1) from MUDC.

On 28 February 2005, the Prosecution filed its "Formal Offer of Evidence". Defense rested its case on 4 December 2006. On 22 January 2007, the Prosecution presented its rebuttal evidence. The Memorandum for the Prosecution having been filed, the case was submitted for decision. As of this writing or on April 29, 2013 the Court rendered its decision finding the accused guilty of the crime of qualified theft and sentenced the accused to *reclusion perpetua*. It also ordered the restitution to MUDC of the amount of $4,000.00 or its peso equivalent ₱105,720.00 Pesos. The Court found no liability for the amount of $3,000.00 withdrawn it appearing that same was credited to private complainant. On appeal, the Court of Appeals, in a Decision dated 28 February 2017, reversed and set aside the Decision of the Regional Trial Court, dated 15 February 2013. As of this writing, MCHC, for humanitarian reasons, and the fact that the accused had already spent some time in incarceration, decided not to appeal the aforesaid Decision of the Court of Appeals.

c) **Magellan Capital Holdings Corporation vs. Spouses Mario and Preciosa Roño, Civil Case No. 066, Regional Trial Court, Taguig City, Branch 153.** This is a case, filed in 2016, for Injunction, with application for TRO and Writ of Injunction, against Spouses Mario and Preciosa Roño, the Taguig Register of Deeds, the Securities and Exchange Commission, Bureau of Internal Revenue, Taguig District to prevent the use of falsified documents including a fake Deed of Sale, fake General Information Sheet (GIS) and fake certificate of title, to transfer MCHC's property in Fort Bonifacio in favor of the Spouses Roño. This is in relation to the ongoing attempt by certain individuals to cause the transfer of title over MCHC's 985 square meter lot at Bonifacio Global City ("BGC") in their favor using falsified and spurious documents. The Regional Trial Court granted the preliminary injunction on 24 August 2016. The case is pending resolution on the grant of a permanent injunction. In an order dated 3 July 2017, the RTC referred the case for mediation proceedings which are ongoing as of this writing. On 15 March 2018, the Court deemed as submitted for resolution the Motion to declare defendants in default.

d) **Magellan Capital Holdings Corporation represented by Mr. Robert Y. Cokeng vs. Spouses Mario and Preciosa Roño et al, XV-16-INQ-16F-00541, Office of the City Prosecutor of Taguig; People of the Philippines vs. Marion S. Roño, <u>Criminal Case No. 17-28768,</u> Metropolitan Trial Court of Taguig City, Branch 115; People of the Philippines vs. Mario S. Roño, <u>Criminal Case No. 17-28769</u>, Metropolitan Trial Court of Taguig City, Branch 115; People of the Philippines vs. Mario S. Roño and Preciosa Roño, <u>Criminal Case No. 17-28771</u>, Metropolitan Trial Court of Taguig City, Branch 115;People of the Philippines vs. Mario Roño and Preciosa Roño, Criminal Case no. 17-28770, Metropolitan Trial Court of Taguig City, Branch 116.** These criminal cases for Falsification under Article 171 in relation to Article 172 of the Revised Penal Code, were filed against the named individuals in connection with Civil Case No. 066. The Prosecutor in XV-16-INQ-16F-00541, found probable cause against the respondents and the corresponding Information was filed with the Metropolitan Trial Court. A Warrant of Arrest against the respondents was issued on 10 February 2017 and Arraignment was scheduled last 23 March 2017. On 12 May the MTC dismissed the accused's Omnibus Motion (1) to Quash for failure to state an offense (2) issue Bill of Particulars and (3) suspend proceedings in view of the pendency of accused's Petition for Review with the Department of Justice (DOJ) and (4) Suspend Arraignment.

Arraignment was scheduled to be held on 15 May 2017. In an Order dated 22 May 2017, the RTC reset the arraignment to 14 August 2017. On 2 June 2017 the Department of Justice (DOJ) dismissed the petition for Review filed by the accused Spouses Rono. The accused was arraigned on 14 August 2017. Thereafter, the parties were referred to mediation and Judicial Dispute Resolution. No settlement was reached. The case was re-raffled to Branch 74 and scheduled for Preliminary Conference on 27 February 2019. The hearing dates for presentation of prosecution evidence are on 11 April, 9 May, 13 June, 29 July, 29 August, 23 September, 21 October, 18 November and 12 December 2019, all at 8:30 a.m.

On March 4, 2020, the parties executed a Compromise Agreement whereby the Accused agreed to pay the sum of Ten Million Pesos (P10,000,000.00) to settle the case.

e) **Magellan Capital Holdings Corporation, represented by Mr. Robert Y. Cokeng vs. Spouses Mario and Preciosa Roño, Pedro S. Villaflor, John Doe and Jane Doe, IS No. XV-13-INV-16-J-02050, Office of the City Prosecutor of Pasay City, Department of Justice.** In relation to the aforementioned cases, this case was filed against the respondents for violation of Article 172 in relation Article 171 of the revised Penal Code (Use of Falsified documents). The falsified documents were used to open an account in Maybank, Villamor Base branch, Pasay City. In a Resolution dated 5 January 2017, the City Prosecutor dismissed MCHC's complaint. In Resolution dated 29 November 2017, the Motion for Reconsideration filed by MCHC was denied.

f) **Magellan Capital Holdings Corporation vs. Spouses Mario and Preciosa Roño, IS No. XV-03-INV-16J-10508, Office of the City Prosecutor of Quezon City, Department of Justice.** In relation to the aforementioned cases, this case was filed against the respondents for violation of Article 172 in relation to Article 171 (2) of the Revised Penal Code. The falsified documents appear as having been executed and notarized in Quezon City. In a Resolution dated 19 March 2018 which was received on 18 April 2018, the City Prosecutor's office dismissed the complaint against respondents. MCHC filed its Motion for Reconsideration of the aforesaid Resolution on 03 May 2018. As of this writing the said Motion is still pending resolution.

g) **Robert Y. Cokeng (for and in behalf of Magellan Capital Holdings Corporation) vs. Maybank Philippines, Inc. Dato Dr. Tan Tat Wai, Herminio M. Famatigan Jr., Jonathan P. Ong, Jose A. Morales III and Milandro C. Urbano, OSI-AC-No. 2016-032, Bangko Sentral ng Pilipinas, Office of the Special Investigation; Robert Y. Cokeng (for and in behalf of Magellan Capital Holdings Corporation) v. Metropolitan Bank and Trust Company, Fabian S. Dee, Alfredo V. Ty, Arthur Ty, Francis Cua, Trixia C. Tan, Joyce P. Pareno and Grance C. Buenavista, OSI-AC_No. 2016-029, Bangko Sentral ng Pilipinas, Office of Special Investigation.** These cases were filed with the Bangko Sentral ng Pilipinas against two banks, Maybank and Metro Bank in connection with their participation in the aforementioned cases. In OSI-AC-No.2016-032, the BSP, in a Resolution, dated 21 November 2016, referred the case against Maybank to the Financial Consumer Protection Department (FCPD), Supervision and Examination Sector of the BSP. In a letter dated 02 February 2017, the FCPD informed MCHC that it in turn referred the matter to the attention of BSP departments exercising supervisory authority over banks. The Office of Special Investigation, in the meantime, continued to hear the administrative complaint against the respondents Dato Dr Tan Tat Wai, Herminio Famatigan, Jonathan P. Ong et al. In a Resolution dated 03 October 2017, the BSP Office of Special Investigation dismissed the administrative complaint against the said respondents. In a Resolution dated 09 January 2017, the BSP denied MCHC's Motion for Partial Reconsideration. With respect to OSI-AC No. 2016-029, the Office of Special Investigation, in a Resolution dated 20 March 2018, dismissed the administrative complaint filed by MCHC against Metro Bank and its Board of Directors.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

For the period October to December 2019, there were no matters submitted to a vote by security holders of the Registrant.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

(1) MARKET INFORMATION

The shares of the Registrant are listed with the Philippine Stock Exchange.

The high and low prices for each quarter within the last two (2) fiscal years and 1st quarter of 2020 are as follows:

QUARTER; YEAR	CLASS "A"		CLASS "B"	
	High	Low	High	Low
1st Quarter, 2018	6.90	4.50	6.38	5.00
2nd Quarter, 2018	4.99	4.05	5.99	6.21
3rd Quarter, 2018	6.50	4.11	5.30	4.50
4th Quarter, 2018	8.61	2.91	5.19	4.70
1st Quarter, 2019	5.28	4.02	5.20	4.50
2nd Quarter, 2019	4.50	3.90	5.18	4.50
3rd Quarter, 2019	4.86	3.58	5.20	5.20
4th Quarter, 2019	4.50	3.01	3.61	3.43
1st Quarter, 2020	3.77	3.25	3.81	3.61

(2) HOLDERS

Number of Shareholders

As of 31 December 2019, the registrant had Four Hundred Seventy One (471) stockholders of record, as follows: Class "A" shares – Four Hundred Thirty Three (433) holders; Class "B" shares – Forty Four (44) holders; and Class "A" and "B" – Six (6).

The top twenty (20) stockholders of common equity of the Registrant as of 31 December 2019 are as follows:✓

TOP TWENTY (20) STOCKHOLDERS AS OF 31 DECEMBER 2019

NAME OF STOCKHOLDER	NUMBER OF SHARES	PERCENTAGE OWNERSHIP
1. Essential Holdings Limited	139,778,670	29.01%
2. PCD Nominee Corporation (A)	71,714,490	14.9%
3. Pinamucan Industrial Estates, Inc.	50,147,005	10.40%
4. Magellan Capital Holdings Corporation	47,844,022	9.92%
5. Consolidated Tobacco Industries of the Phils., Inc.	43,052,023	8.93%
6. Vructi Holdings Corporation	34,633,628	7.18%
7. Center Industrial and Investment, Inc.	23,991,000	4.97%
8. Robert Y. Cokeng	15,713,072	3.26%
9. Johnson Tan Gui Yee	15,371,747	3.19%
10. Victorian Development Corporation	12,085,427	2.50%
11. PCD Nominee Corporation (B) (Filipino)	10,852,281	2.25%
12. Brixton Investment Corporation	2,815,000	0.58%
13. Francisco Y. Cokeng, Jr.	2,160,000	0.44%
14. Johnson U. Co	1,100,000	0.22%
15. Betty C. Dy	1,100,000	0.22%
16. Rosalinda C. Tang	1,080,000	0.22%
17. Homer U. Cokeng, Jr.	1,020,000	0.21%
18. Metro Agro-Industrial Supply Corporation	793,977	0.16%
19. Ruffy James Tiangco	555,000	0.11%
20. Criscini Reyes	400,000	0.08%

(3) DIVIDENDS

Dividends amounting to ₱0.20 per share were declared and paid out in 2019.

Under the Registrant's By-laws, there are no restrictions in the declaration of dividends other than what is prescribed in the Corporation Code, namely that these shall be declared only from surplus profit and no stock dividend shall be issued without the approval of stockholders representing not less than two-thirds of all stock outstanding and entitled to vote at a general or special meeting called for the purpose.

(4) RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES, INCLUDING RECENT ISSUANCE OF SECURITIES CONSTITUTING AN EXEMPT TRANSACTION

The Registrant has not sold any securities within the past three (3) years, which were not registered under the Securities Regulation Code, including sales of reacquired securities, as well as new issues, securities issued in exchange for property, services, or other securities and new securities resulting from the modification of outstanding securities.

(5) WARRANTS

There are no warrants outstanding as of the end of December, 2019.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

(1) MANAGEMENT'S DISCUSSION AND ANALYSIS

The Registrant's consolidated revenue in 2019 increased to ₱80.4 million from ₱62.8 million in 2018. Equity in net earnings of associates improved to a gain of ₱5.3 million in 2019 from a loss of ₱14.2 million in 2018 as Pointwest successfully reduced its net losses by half in 2019 through its Retrenchment as it coped with the loss of a major account and revenue reduction from another major account. At the same time, Business Process Outsourcing International (BPOI), the Registrant's other associate showed improved earnings of ₱62.8 million in 2019 from ₱52.2 million in 2018. Interest income increased from ₱36.3 million in 2018 from ₱33.1 million in 2018 as interest levels have improved. A net foreign exchange loss of ₱22.9 million was recorded in 2019 versus a gain of ₱31.6 million in 2018 as the Peso improved against foreign currencies which penalized the foreign exchange denominated bonds and other securities held by the Registrant and its subsidiary. Rent increased from ₱23.2 million in 2018 to ₱25.1 million in 2019 due to escalation of rental rates. Gain on disposal of AFS, HTM and FVPL Financial Assets of ₱3.9 million was recorded in 2019 against a loss of ₱1.3 million in 2018. Dividend income increased from ₱3.7 million in 2018 to ₱4.9 million in 2019. Fair value gain on Financial Assets at FVPL was ₱27.7 million in 2019 compared to a loss of ₱14.2 million in 2018 as prices of listed securities improved.

Total consolidated expenses of the Registrant decreased to ₱36.7 million in 2019 compared to ₱41.8 million in 2018 due mainly to lower taxes and licenses which was higher in 2018 due to the acquisition of additional investment property.

As a result of the above, total consolidated income before tax in 2019 totaled ₱43.7 million compared to ₱21 million in 2018. After provision for income tax, total consolidated net income after tax totaled ₱33.7 million in 2019 compared to ₱13.1 million in 2018.

Net income attributable to non-controlling interest, namely minority shareholders of Magellan Capital Holdings Corporation, totaled ₱1.4 million in 2019 compared to ₱1.0 million in 2018.

Net income attributable to equity holders of the Registrant totaled ₱32.2 million in 2019 compared to ₱12.1 million in 2018.

The Registrant's financial position is very strong as it has substantial cash resources available to undertake its planned projects. As of December 31, 2019, the Registrant's consolidated cash and cash equivalent totaled over ₱582.3 million which was higher than the level of ₱571.4 million as of December 31, 2018 due to additional income in 2019. The Registrant and its subsidiary are planning to undertake development of MCHC's land in Fort Bonifacio into an office building as well as to acquire income producing properties as well as additional land for development. The Registrant and its subsidiary are debt free with total consolidated liabilities of ₱51.7 million at year-end 2019 compared to ₱39.8 million at year-end 2018. Total equity amounted to ₱1.9 billion as of the end of 2019 substantially the same level as at the end of 2018.

The Registrant and its subsidiary and affiliates are substantially debt free except for MUDC which has loans and advances from its principal shareholders. The Registrant and its subsidiaries have more than enough cash resources to meet any expected requirements in the next twelve months. Consolidated cash and cash equivalents at the end of 2019 totaled ₱582.3 million compared to ₱571.4 million at the end of 2018 while total current assets totaled ₱915.4 million at year-end 2019 compared to ₱841.4 billion at year-end 2018. Other than the normal fluctuation of the Peso exchange rate as well as the effect of the normal market fluctuations on the value of stock and bond holdings owned by the Registrant and its subsidiary, the Registrant is not aware of any trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in its liquidity increasing or decreasing in any material way. Likewise, the Registrant does not know of any trends, events or uncertainties that have or that are reasonably expected to have a material favorable or unfavorable impact on the revenues or income from continuing operations.

Top Five (5) Key Performance Indicators

The top five (5) performance indicators for the Registrant are as follows:

(1) Revenue Generation
(2) Change in net income
(3) Earnings per share
(4) Current ratio
(5) Book value per share

Revenue Generation. Revenue in the last three fiscal years are summarized below along with vertical percentage analysis:

(₱000)	YEAR 2019	PER-CENTAGE	YEAR 2018	PER-CENTAGE	YEAR 2017	PER-CENTAGE
Equity in net earnings of associates	₱ P 5,344	6.6%	₱ (13,972)	(22.2%)	₱ 40,865	31.2%
Interest Income	36,276	45.1%	33,083	52.71%	37,413	28.6%
Rent	25,140	31.2%	23,167	36.9%	20,835	15.9%
Dividend Income	4,856	6.0%	3,718	5.9%	2,425	1.9%
Fair Value Gains (Losses) on Financial Assets at FVPL	27,686	34.4%	(14,163)	(22.5%)	17,421	13.3%
Gain (Losses) on Disposal of AFS, HTM and FVPL Investments	3,919	4.9%	(1,339)	(2.1%)	3,758	2.9%
Net FX Gain	(22,852)	(28.4%)	31,645	50.4%	7,974	6.1%
Others	78	0.1%	693	1.1%	137	0.1%
Total from continuing operation	**₱ 80,449**	**100.0%**	**₱ 62,832**	**100.0%**	**₱ 130,828**	**100.0%**

Because it is a holding company, the Registrant traditionally derived a large part of its revenue from its equity in net earnings of associates which in 2017 accounted for over 31% of consolidated total revenues from continuing operations. However, 2018 saw equity in Net Losses of Associates as Pointwest experienced losses for the first time in its operating history as it lost a major account and saw reduced revenue from another major account. As a result, even though BPO International registered a rise in profits it was not enough to offset the losses from Pointwest. As a result, share in losses of Associates was P14.0 million in 2018 compared to an equity in net earnings of associates of P40.9 million in 2017. However, Pointwest embarked on a retrenchment program to cope with the reduced business volume as well as made efforts to secure new clients to replace the lost accounts. As a result, Pointwest loss in 2019 was reduced by half compared to 2018 and in 2020 was already in a profit position. In addition, improved operating results of BPOI resulted in equity in net earnings of associates at P5.3 million in 2019 compared to a loss of P14.0 million in 2018. Interest income also increased in 2019 to ₱36.3 million from ₱33.1 million in 2018 due to higher rates of interest in the capital markets. Net Fx loss was ₱22.9 million in 2019 compared to Net Fx gain of ₱31.6 million in 2018 as the stronger Peso penalized the foreign exchange denominated bonds and stock portfolio of the Registrant and its subsidiaries. Fair value gains on financial assets at FVPL was ₱27.7 million in 2019 compared to loss of ₱14.2 million in 2018.

Change in net income. The summary income statements for the last three fiscal years are shown below with vertical percentage analysis.

(000)	YEARS ENDED DECEMBER 31					
	2019	PERCENTAGE	2018	PERCENTAGE	2017	PERCENTAGE
Revenue	₱ 80,448	100%	₱ 62,832	100%	₱ 130,827	100%
Expenses	36,705	45.6%	41,855	66.6%	40,050	30.6%
Net Income Before Tax	43,743	54.4%	20,977	33.3%	90,778	69.4%
Tax	(10,094)	(12.6%)	(7,891)	(12.5%)	(11,378)	8.7%
Net Income After Tax	33,649	41.8%	13,086	20.8%	79,400	60.7%
Total Net Income	**₱ 33,649**	**41.8%**	**₱ 13,086**	**20.8%**	**₱ 79,400**	**60.7%**
Attributable to Stockholders of Registrant	32,205	40%	12,088	19.2%	77,729	59.4%
Non-Controlling Interest	1,444	1.8%	998	1.6%	1,670	1.3%

As the above shows, net income increased sharply to ₱33.7 million in 2019 from ₱13.1 million in 2018. The increase in net income was mainly due to equity in net earnings of associates as Pointwest experienced reduced operating losses due to its successful retrenchment effort. In addition, fair value gains on Financial Assets offset net Fx losses. The net income in 2019 attributable to stockholders of the Registrant was ₱32.2 million while ₱1.4 million was attributable to non-controlling interests, namely minority shareholders of Magellan Capital Holdings Corporation. The net income attributable to stockholders of the Registrant in 2018 was ₱12.1 million while ₱1.0 million was attributable to non-controlling interests.

Earnings per share. The earnings per share in 2019 amounted to ₱0.08 per share compared to earnings per share of ₱0.03 in 2018 and ₱0.20 in 2017 due to the higher equity in net earnings of associates resulting from reduced losses at Pointwest. The earnings per share are adjusted to reflect the shares held by the Registrant's subsidiaries which are classified as treasury shares in the Consolidated Financial Statements.

Current-Ratio. Current Ratio (current assets divided by current liabilities) which measures the liquidity position of the Registrant was 29.9x at December 31, 2019 compared to 38x at the end of 2018. The Registrant's liquidity position is very strong and gives it substantial resources to pursue its projects.

Book value per share. The Registrant's book value per share (excluding treasury shares owned by subsidiaries of the Registrant) was ₱4.64 per share at the end of 2019 from ₱4.81 at year-end 2018 and ₱5.03 at year-end 2017.

(i) Any known trends or any known demands, commitments, events or uncertainties

The Registrant and its subsidiary and affiliates are substantially debt-free, except for MUDC, which has loans and advances from its principal shareholders. The Registrant and its subsidiaries have more than enough cash resources to meet any expected requirements during the next twelve (12) months. Consolidated cash and cash equivalents totaled ₱608.5 million at year end 2019 compared to ₱571.4 million at year end 2018. Other than the normal fluctuations of the Philippine Peso to the U.S. Dollar, the Registrant is unaware of any trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in its liquidity increasing or decreasing in any material way. Likewise, the Registrant does not know of any trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the revenues or income from continuing operations.

(ii) Any events that will trigger direct or contingent financial obligation

There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

(iii) All material off-balance sheet transactions, arrangements, obligations

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

(2) OPERATIONS AND FINANCIAL CONDITION FOR THE LAST THREE (3) FISCAL YEARS

The following is a detailed discussion of the Registrant's operations and financial condition for the past three (3) fiscal years.

Exhibit "2" shows the audited consolidated balance sheet as of December 31, 2019 and December 31, 2018 and audited consolidated income statements for the years 2019, 2018 and 2017. The accounts are discussed below in more detail.

OPERATING RESULTS

Revenues. In the year ended 31 December 2019, total consolidated revenues totaled ₱80.4 million compared to ₱62.8 million in 2018 and ₱130.8 million in 2017. The reasons for the change have been discussed in the revenue generation section earlier in Item 6 of this Report.

Expenses. Total consolidated operating expenses decreased to ₱36.7 million in 2019 from the ₱41.8 million in 2018 due to the reasons discussed earlier in this report.

Net Income Before Tax. As a result of the movement in revenues and expenses discussed in the preceding sections, net income before tax totaled ₱43.7 million in 2019 compared to ₱21.0 million in 2018 and ₱90.8 million in 2017.

Provision For Income Tax. In 2019, there was a provision for income tax of ₱10.1 million compared to ₱7.9 million in 2018 and ₱11.4 million in 2017.

Net Income After Tax. As a result of the provision for income tax discussed above, the Registrant had a consolidated net income after tax of ₱33.7 million in 2019, from net income after tax of ₱13.0 million in 2018. Net income after tax in 2017 was ₱79.4 million.

BALANCE SHEET ACCOUNTS

The following comparative financial analysis is based on audited consolidated balance sheets as of December 31, 2019 and December 31, 2018 shown in Exhibit "2". Exhibit "4" shows the vertical percentage analysis of balance sheet accounts as of December 31, 2019 and December 31, 2018. The movements in the various accounts are discussed below:

ASSETS

Current Assets. Total current assets at year-end 2019 totaled ₱888.1 million compared to ₱840.2 million at year-end 2018. Cash and cash equivalents increased to ₱582.3 million at year end 2019 from ₱571.4 million at year end 2018. Financial assets at Fair Value through Profit or Loss (FVPL) increased to ₱248.6 million at year-end 2019 from ₱204.7 million at year-end 2018. Current portion of FVOCI totaled P0.6 million at year-end 2019 compared to current portion of AFS Investments of ₱6.9 million at year-end 2018 from ₱40.8 million at year end 2017. Receivables decreased to ₱5.9 million at year-end 2019 from ₱7.3 million at year-end 2018. Prepayments and other assets decreased to ₱33.3 million at year-end 2019 from ₱33.7 million at year-end 2018.

Non-Current Assets. Total non-current assets at year-end 2019 totaled ₱1,015.7 million versus ₱1,117 million at year-end 2018. Most of the decrease was due to decrease in financial assets at FVOCI from ₱424.1 million at year end 2018 to ₱299.9 million at year end 2019.

Total Assets. As a result of the movement in the accounts described above, total consolidated assets of the Registrant at year-end 2019 totaled ₱1,903.9 million compared to ₱1,957.4 million at year-end 2018.

LIABILITIES AND EQUITY

Current Liabilities. Current liabilities increased to ₱30.6 million at year-end 2019 from ₱20.1 million at year-end 2018 mainly due to increase in income tax payable.

Non-Current Liabilities. Non-current liabilities increased slightly to ₱21.1 million at year-end 2019 from ₱19.7 million at year-end 2018 due mainly to increase in Retirement benefit obligation.

Stockholder's Equity. Total Stockholder's Equity Attributable to Equity Holders of the Registrant decreased to ₱1,780 million at year-end 2019 from ₱1,844.7 million at year end 2018. This was due to dividends paid out in 2019 which exceeded net income realized in that year. Equity attributable to minority shareholders of MCHC totaled ₱72.3 million at year end 2019 compared to ₱72.9 million at year-end 2018. As a result, total stockholders equity at year-end 2019 stood at ₱1,852.2 million compared to ₱1,917.5 million at year-end 2018.

INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

(1) External Audit Fees and Services

a) *Audit and Audit- Related Fees for the Last Three Fiscal Years*

	2017	2018	2019
Registrant	₱ 314,776	₱ 332,640	₱ 343,035
MCHC	486,024	511,280	527,258
Subsidiaries of MCHC	40,225	40,225	40,225
MUDC	21,449	21,449	21,449

b) *Tax Fees*: None
c) *All Other Fees*: None
d) Audit Committee has approved the audit fees

ITEM 7. FINANCIAL STATEMENTS

The Statement of Management's Responsibility is attached as Exhibit "1" hereof. The Audited Consolidated Financial Statements as of 31 December 2019 are attached as Exhibit "2" hereof.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no disagreements with the Registrant's accountants, past or present, on accounting and financial disclosures. In 1997, Sycip Gorres Velayo & Co. replaced Velandria, Dimagiba & Co. and at present, continues to be engaged as the external auditor of the Registrant. In 2000, Vicente E. Reyes and Associates, now known as Reyes, Galang, King & Company, replaced Sycip Gorres Velayo & Co. as the external auditor of some of the wholly owned subsidiaries of Magellan Capital Holdings Corporation as well as Magellan Utilities Development Corporation.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

(1) DIRECTORS AND EXECUTIVE OFFICERS

The following are the directors and executive officers of the Registrant, with the past and present positions held by them in the Registrant's subsidiaries and other companies for the past five (5) years:

ROBERT Y. COKENG, 68 years old, Filipino citizen.
Chairman, President & Chief Executive Officer

Re-elected on 16 July 2019 to a one-year term. Director and Officer since 1996.

President & Chief Executive Officer, Magellan Capital Holdings Corporation, Magellan Utilities Development Corporation, Pinamucan Power Corporation, Malabrigo Corporation, Consolidated Tobacco Industries of the Philippines, Inc. and Center Industrial and Investment, Inc.; *Independent Director*, Cosco Capital, Inc. (PSE listed company); *Chairman*, Pinamucan Industrial Estates, Inc.; *Managing Director*, Essential Holdings Ltd.; *Chairman*, Pointwest Technologies Corporation and Pointwest Innovations Corporation; *Director and Chairman of the Executive Committee*, Business Process Outsourcing International, Inc.; *Chairman*, IPADS Developers, Inc.

Bachelor of Arts (Economics Honor Program), Magna Cum Laude, Ateneo University; Master in Business Administration (with High Distinction and elected Baker Scholar), Harvard University.

FRANCISCO Y. COKENG, JR., 66 years old, Filipino citizen.
Vice-Chairman and Director

Re-elected on 16 July 2019 to a one-year term. Director since 1996.

Also director from 1980-1991.

Director, Consolidated Tobacco Industries of the Philippines, Inc., Magellan Capital Holdings Corporation; *Chairman*, Sunflare Horizon International, Inc.

AB Economics, Boston University.

JOHNSON U. CO, 67 years old, Filipino citizen.
Vice-President for Administration and Director

Re-elected on 16 July 2019 to a one-year term. Director since 1996.

President, Pinamucan Industrial Estates, Inc., Sunflare Horizon International, Inc.; *Vice-President for Administration and Director*, Magellan Capital Holdings Corporation; *Treasurer*, Magellan Utilities Development Corporation and Malabrigo Corporation; *Director*, Pinamucan Power Corporation; *Vice Chairman*, Consolidated Tobacco Industries of the Philippines, Inc.

B.S. Mechanical Engineering, University of Sto. Thomas.

MARK RYAN K. COKENG, 34 years old, Filipino citizen.
Treasurer and Director

Re-elected on 16 July 2019 to a one-year term. Director and Treasurer since 2013.

Treasurer and Director, Magellan Capital Holdings Corporation; *Director and Treasurer*, Magellan Capital Corporation; *Director*, IPADS Developers, Inc.; *Director*, Pointwest Technologies Corporation, *Director*, Pointwest Innovations Corporation, *Director and Treasurer*, Business Process Outsourcing International, Inc.

Bachelor of Arts in Economics and Statistics, Boston University.

CHARLIE K. CHUA, 56 years old, Filipino citizen.
Independent Director

Elected 16 July on 2019 to a one-year term.

Vice President, Highland Tractor Parts, Inc.

B.S. Mechanical Engineering, University of the Philippines; Master of Science, Mechanical Engineering, University of California, Berkley.

MARY K. COKENG, 67 years old, Filipino citizen.
Director

Re-elected on 16 July 2019 to a one-year term. Director since 2008.

Director, Essential Holdings, Limited, *Director*, Magellan Capital Holdings Corporation.

Bachelor of Arts, Management, University of Sto. Thomas

JOHNNY O. COBANKIAT, 68 years old, Filipino citizen.
Director

Re-elected on 16 July 2019 to a one-year term. Director since 2008.

President, Ace Hardware Phils., Cobankiat Hardware, Inc. and Milwaukee Builders Center, Inc.; *Executive Vice President*, Hardware Workshop; *Vice Chairman*, R. Nubla Securities.

B.S. Accounting, De La Salle University.

FRANCIS LEE CHUA, 68 years old, Filipino citizen.
Director

Re-elected 16 July on 2019 for a one-year term. Director since 2001.

General Manager, Sunny Multi Products and Land Management Inc., Midori Carpet; *Corporate Secretary*, Sunflare Horizon International, Inc.

B.S. Management, Ateneo University.

PETER L. KAWSEK, JR., 61 years old, Filipino citizen
Independent Director

Elected on 16 July 2019 to a one-year term.

President, Apo International Marketing Corporation; Bekter Ventures Inc.; *Vice President*, Kawsek Inc.

Bachelor of Science in Business, De La Salle University

JOHNSON TAN GUI YEE, 73 years old, Filipino citizen.
Director

Re-elected on 16 July 2019 to a one-year term. Director since 1997.

Chairman, Armak Tape Corporation; *President & Chief Executive Officer*, Armak Holdings and Development, Inc.; *President*, Yarnton Traders Corporation; *Director*, Magellan Capital Holdings Corporation.

B.S. Chemical Engineering and B.S. Mathematics

RUFINO B. TIANGCO, 70 years old, Filipino citizen.
Director

Re-elected on 16 July 2019 to a one-year term. Director since 1997.

Chairman of the Board, R.A.V. Fishing Corporation, Marala Vitas Central Terminal & Shipyard Corp.; *President*, Vructi Holdings Corporation; Trufsons Holdings Corporation, Ruvict Holdings Corporation; *Director*, Magellan Capital Holdings Corporation and Magellan Utilities Development Corporation.

B.S. Mechanical Engineering, University of Sto. Thomas

PONCIANO K. MATHAY, 60 years old, Filipino citizen
Senior Vice President and Compliance Officer

Appointed by the Board on July 16, 2019.

President, MHM Energy Corp., *Consultant*, Pointwest Technologies Corp., *Formerly Vice President*, Alcorn Gold Resources.

AB Psychology, University of Washington, MS Business Management, A.D. Little (Hult) Cambridge, Massachusetts.

FINA BERNADETTE D.C. TANTUICO, 58 years old, Filipino citizen.
Corporate Secretary

Re-elected on 16 July 2019 to a one-year term.

Legal Counsel and Corporate Secretary, F & J Prince Holdings Corporation and its subsidiaries and affiliates (2002 up to the present); Magellan Capital Holdings Corporation and its subsidiaries, Magellan Utilities Development Corporation, Pointwest Technologies Corporation, Pointwest Innovations Corporation, Pinamucan Industrial Estates Inc; *Corporate Secretary*, Philippine Telegraph & Telephone Co. (PT&T), Capitol Wireless Inc. (Capwire), Philippine Wireless Inc. (Pocketbell), Republic Telecommunications Company (Retelcom), U.P. Law Alumni Foundation Inc. (UPLAF), *Former Assistant Vice-President and Corporate Secretary,* United Overseas Bank Philippines (2000-2001). Former *President* of the Philippine Bar Association. *Professorial Lecturer,* University of the Philippines College of Law; member, Inter-Country Placement Committee, Inter-Country Adoption Board (ICAB).

Law Degree, University of the Philippines.

Term of Office. The directors of the Registrant were elected during the annual stockholders' meeting held on 16 July 2019. The directors have a one (1) year term of office.

The Independent Directors. The independent directors of the Registrant are Charlie K. Chua and Peter L. Kawsek, Jr.

(2) SIGNIFICANT EMPLOYEES

There are no other persons other than the Registrant's executive officers who are expected to make a significant contribution to its business.

(3) FAMILY RELATIONSHIPS

Messrs. Robert Y. Cokeng and Francisco Y. Cokeng, Jr. are brothers. They are first cousins of Johnson U. Co. Mary K. Cokeng is the spouse of Robert Y. Cokeng. Mark Ryan K. Cokeng is the son of Robert and Mary Cokeng.

ITEM 10. EXECUTIVE COMPENSATION

(1) GENERAL

None of the directors and executive officers of the Registrant are paid any compensation as such. Among its officers, only Messrs. Fina Bernadette D.C. Tantuico, Robert Y. Cokeng, Johnson U. Co, and Mark Ryan K. Cokeng are paid professional fees and compensation by the Registrant or its affiliates, MCHC and PIEI, respectively. Directors are not paid any compensation by the Registrant other than a *per diem* of Five Thousand Pesos (₱5,000.00) per attendance of Board Meeting.

(2) SUMMARY COMPENSATION TABLE

Summary Compensation Table
Annual Compensation

NAME & PRINCIPAL POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION*
Robert Y. Cokeng, President	2020	-	-	
Johnson U. Co, Vice-President-Administration	2020	-	-	
Mark Ryan K. Cokeng, Treasurer	2020	-	-	₱11,000,000.00
Fina Bernadette D.C. Tantuico, Corporate Sec	2020	-	-	
All Other Officers & Directors	2020	280,000.00	-	

NAME & PRINCIPAL POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION*
Robert Y. Cokeng, President	2019	-	-	
Johnson U. Co, Vice-President-Administration	2019	-	-	
Mark Ryan K. Cokeng, Treasurer	2019	-	-	₱10,713,464.00
Fina Bernadette D.C. Tantuico, Corporate Sec	2019	-	-	
All Other Officers & Directors	2019	280,000.00	-	

NAME & PRINCIPAL POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION*
Robert Y. Cokeng, President	2018	-	-	₱10,904,000.00
Johnson U. Co, Vice-President-Administration	2018	-	-	
Mark Ryan K. Cokeng, Treasurer	2018	-	-	
Fina Bernadette D.C. Tantuico, Corporate Sec	2018	-	-	
All Other Officers & Directors	2018	280,000.00	-	

* The amount given represents the professional fees and compensation paid by the affiliates of Registrant.

*** Other directors and executive officers of the Registrant are not paid any compensation as such.

(3) COMPENSATION OF DIRECTORS

Directors receive a *per diem* of ₱5000 *per* attendance at Board Meetings and no other compensation as such.[E]

(4) EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENTS

There are no employment contracts nor any compensatory plan or arrangements with the Executive Officers of the Registrant.

(5) WARRANTS AND OPTIONS OUTSTANDING: RE-PRICING

There are no existing warrants outstanding. One detachable Subscription Warrant was issued for each share subscribed under the share offering in 2002. Warrants for 723,727 "A" shares and 71,198 "B" shares were exercised. All the remaining warrants that were not exercised have expired as of May 2008. There are no options or warrants currently outstanding.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

(1) SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AS OF 31 DECEMBER 2019

The record or beneficial owners of 5% or more of the outstanding shares of the Registrant are as follows:

Estimated compensation for the year 2018.

On 12 February 2002, the SEC approved the Amendment to the Registrant's By-Laws, specifically Article III, Section 6 on Compensation of Directors. The cap of Pesos (₱500.00) has been removed. Each director may now receive a reasonable per diem, as may be fixed by the Board of Directors, for attendance at board meetings.

Pursuant to the Amended By-Laws, the Securities and Exchange Commission approved the Amendment of By-Laws Registrant's Board of Directors.
During a regular meeting held on 28 February 2002 approved and adopted a resolution fixing the per diem at ₱5000 per attendance at Board Meetings.

TITLE OF CLASS	NAME, ADDRESS OF RECORD OWNER AND RELATIONSHIP WITH ISSUER	NAME OF BENEFICIAL OWNER AND RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NUMBER OF SHARES HELD	PER-CENTAGE
Common B	Essential Holdings Limited 11/F, Belgian House, 77-79 Gloucester Road, Hongkong	Same as Record Owner Robert Y. Cokeng Managing Director	Foreign	139,778,670 Record & Beneficial	29.01%
Common A & B	Pinamucan Industrial Estates, Inc. 5th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City	Same as Record Owner Robert Y. Cokeng Chairman	Filipino	50,147,005 Record & Beneficial	10.40%
Common A	Magellan Capital Holdings Corporation 5th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City	Same as Record Owner Robert Y. Cokeng President	Filipino	47,844,022 Record & Beneficial	9.92%
Common A	Consolidated Tobacco Industries of the Philippines, Inc. CTIP Compound, Ortigas Avenue Ext., Rosario Pasig City	Same as Record Owner Robert Y. Cokeng President	Filipino	43,052,023 Record & Beneficial	8.93%
Common A	Vructi Holdings Corporation 52 Narra Avenue, Forbes Park Makati City	Same as Record Owner Rufino B. Tiangco President	Filipino	34,633,628 Record & Beneficial	7.18%

Mr. Robert Y. Cokeng is the controlling stockholder of Essential Holdings Limited ("EHL"). He is also the President and Chairman of the Registrant.

Mr. Robert Y. Cokeng is the Chairman of Pinamucan Industrial Estates, Inc. ("PIEI"). He has been granted voting power over the shares of stock of PIEI by the Board of Directors of PIEI. He is also the President of the Registrant.

Mr. Robert Y. Cokeng is President of Magellan Capital Holdings Corporation and has voting power over the shares of stock of Magellan Capital Holdings Corporation ("MCHC") in the Registrant.

Consolidated Tobacco Industries of the Philippines, Inc. ("CTIP") is principally owned and controlled by the Cokeng and Co families. Mr. Robert Y. Cokeng is President of CTIP and has voting power over the shares of stock of CTIP.

Vructi Holdings Corporation is controlled by Mr. Rufino B. Tiangco, a director of the Registrant. He has the voting power over the shares of Vructi Holdings Corporation.

(2) SECURITY OWNERSHIP OF MANAGEMENT

As of 31 December 2019, the Directors, Executive Officers and Nominees of the Corporation are the beneficial owners of the following number of shares:✓

TITLE OF CLASS	NAME OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	CITIZENSHIP	PERCENT OF OWNERSHIP
Common A	Robert Y. Cokeng	15,713,072	Filipino	3.26%
Common A	Francisco Y. Cokeng, Jr.	2,160,000	Filipino	0.44%
Common A	Johnson U. Co	1,100,000	Filipino	0.22%
Common A	Emeterio L. Barcelon, SJ	304,952	Filipino	0.06%
Common A	Mark Ryan K. Cokeng	10,000	Filipino	0.002%
Common A	Johnson Tan Gui Yee	15,371,747	Filipino	3.19%
Common A	Mary K. Cokeng	1,000	Filipino	0.0002%
Common A	Johnny O. Cobankiat	7,227,076	Filipino	1.50%
Common A & B	Josephine V. Barcelon	1,204,952	Filipino	0.25%
Common A & B	Rufino B. Tiangco	128,000	Filipino	0.03%
Common A & B	Robert Y. Ynson	325,667	Filipino	0.07%
Common A	Francis L. Chua	100,000	Filipino	0.02%
Total		**43,646,466**		**9.05%**

TITLE OF CLASS	NAME OF DIRECTOR/EXECUTIVE OFFICER/BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	CITIZENSHIP	PERCENT OF OWNERSHIP
Common A & B	All Directors & Executive Officers	43,646,466	Filipino	9.05%

(3) VOTING TRUST HOLDERS OF 5% OR MORE OF THE OUTSTANDING SHARES

There are no voting trust holders of 5% or more of the outstanding shares of the Registrant.

(4) CHANGES IN CONTROL

There are no arrangements that may result in a change in control of the Registrant.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There were no transactions with any related parties other than normal business transactions such as rental agreements between affiliates on the basis of arms length negotiations. These rental rates are in line with rental rates for similar properties and were negotiated with non-majority owned affiliates where other shareholders provide checks and balances.

There were no transactions with any entities controlled or owned by former managers of the registrant or its subsidiaries and affiliates.

PART IV. CORPORATE GOVERNANCE

ITEM 13. The Annual Corporate Governance Report for the year 2019 will be submitted on or before July 30, 2020.

PART V – EXHIBITS AND SCHEDULES

EXHIBITS AND REPORTS ON SEC FORM 17-C

(1) Exhibits

EXHIBIT NO.	DOCUMENT
1	Statement of Managements' Responsibility
2	Audited Consolidated Financial Statements as of 31 December 2019 and 2018
3	Breakdown of various accounts Schedules A-H
4	Consolidated Balance Sheet as of December 31, 2019 and December 31, 2018 with vertical percentage analysis
5	Breakdown of Receivables-Others Schedule "I" Breakdown of Accounts Payable and Accrued Expenses-Schedule "2"
6	Organizational Chart of Subsidiaries and Associates

(2) Reports on SEC Form 17-C

For the period January to December 2019, the following matters were duly reported to the SEC and PSE under SEC Form 17-C, to wit:

DATE	MATTERS DISCLOSED
10 May 2019	**OTHER EVENTS (Item 9)** **Date of Annual Stockholders' Meeting** Please be informed that pursuant to the delegated authority given by the Board of Directors of the Corporation, for the President to set the date of the 2019 Annual Stockholders Meeting, the Annual Stockholders Meeting of F & J PRINCE HOLDINGS CORPORATION will be held on 16 July 2019 (Tuesday). We shall accordingly inform the stockholders concerned of this schedule and the details as to time and venue. In this regard, the record date fixed for determining the list of stockholders entitled to vote at said meeting is 29 May 2019. Accordingly, the transfer books of the Corporation will be closed from 1 June 2019 until 5 June 2019 for the purpose of preparing said list.

16 July 2019	**ITEM 9. OTHER EVENTS.** **<u>Annual Stockholders' Meeting</u>** **Election of Directors and Officers (Item 4)** During the Annual Meeting of the Stockholders of the Corporation held on 16 July 2019, the following persons were elected as the new members of the Board of Directors of the Corporation, to wit: (in alphabetical order) Charlie K. Chua Francis L. Chua Johnson U. Co Johnny O. Cobankiat Francisco Y. Cokeng, Jr. Mark Ryan K. Cokeng Mary K. Cokeng Robert Y. Cokeng Peter L. Kawsek, Jr. Johnson Tan Gui Yee Rufino B. Tiangco The independent directors of the Corporation are Charlie K. Chua and Peter L. Kawsek, Jr.
16 July 2019	At the meeting which followed, the Board approved and adopted a resolution declaring cash dividends as follows: "Resolved, that there is hereby declared out of the Corporation's unrestricted retained earnings a cash dividend of a total of Twenty Centavos (₱0.20) per share, payable as follows: (i) Ten Centavos (₱0.10) per share, to stockholders of record as of 23 September 2019 (the "Record Date"), payable on or before 14 October 2019; and (ii) Ten Centavos (₱0.10) per share, to stockholders of record as of 23 October 2019 (the "Record Date"), payable on or before 14 November 2019.

16 July 2019	<u>**OTHER EVENTS (Item 9)**</u> The Annual Stockholders' Meeting of the Corporation was held as scheduled on 16 July 2019 at the Function Room 7, Top of the Citi, 34th Floor, Citibank Tower, 8741 Paseo de Roxas, Makati City. During said meeting, where the stockholders owning at least a majority of the outstanding capital stock of the Corporation were present and/or represented, the following matters were approved by unanimous affirmative vote: (i) the Minutes of the Annual Meeting of Stockholders held on 26 July 2018; (ii) ratification of the corporate actions approved and adopted by the Board of Directors during the year 2018; (iii) the Audited Financial Statements as of 31 December 2018; (iv) re-appointment of Sycip Gorres Velayo & Co. as external auditor of the Corporation.
16 July, 2019	Thereafter, at the Organizational Meeting of the newly elected directors, held immediately after the Annual Stockholders' Meeting, the following persons were elected to the positions indicated opposite their respective names: ROBERT Y. COKENG - Chairman & President FRANCISCO Y. COKENG, JR. - Vice-Chairman PONCIANO K. MATHAY - Senior Vice-President and Compliance Officer JOHNSON U. CO - Vice-President for Administration MARK RYAN K. COKENG - Treasurer FINA BERNADETTE D.C. TANTUICO - Corporate Secretary

	The members of the different committees were elected as follows: **Audit Committee:** Peter L. Kawsek, Jr. - Chairman/Independent Director Robert Y. Cokeng Mark Ryan K. Cokeng Johnson Tan Gui Yee Rufino B. Tiangco **Nomination Committee:** Robert Y. Cokeng - Chairman Mark Ryan K. Cokeng Johnson U. Co Johnson Tan Gui Yee Charlie K. Chua - Independent Director **Compensation Committee:** Robert Y. Cokeng - Chairman Johnson U. Co Mark Ryan K. Cokeng Rufino B. Tiangco Charlie K. Chua - Independent Director

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this Annual Report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on June 30, 2020.

F & J Prince Holdings Corporation
Issuer

Pursuant to Section 17 of the Code, this Annual Report has been signed by the following persons in the capacities and on the dates indicated.

By:

ROBERT Y. COKENG
Chairman/Principal Executive Officer/
Principal Operating Officer

MARK RYAN K. COKENG
Principal Financial Officer/
Comptroller

(ATTY.) FINA BERNADETTE D.C. TANTUICO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____ day of JUN 30 2020 2020, affiants exhibiting to me their Community Tax Certificates, as follows:

NAMES	COMMUNITY TAX CERTIFICATE NO.	DATE OF ISSUE	PLACE OF ISSUE
Robert Y. Cokeng	04355673	Jan. 20, 2020	Makati City
Mark Ryan K. Cokeng	04358855	Jan. 27, 2020	Makati City
Fina Bernadette D.C. Tantuico	Integrated Bar of the Philippines (IBP) Lifetime Membership ID#00463 with Roll of Attorney No. 35636 issued by IBP		

NOTARY PUBLIC
ATTY. GOLDA JULIA S. GAPUZ
Notary Public for Makati City
Appt. No. M-170 valid until December 31, 2020
7th Floor Citibank Center, 8741 Paseo de Roxas, Makati City
IBP No. 100039; 12/27/19; Makati City Chapter
PTR No. 8121513; 01/03/20; Makati City
Attorney's Roll No. 65933
MCLE Compliance No. VI-0021297
valid from 03/28/2019 until 04/14/2022

Doc. No. 305;
Page No. 62;
Book No. I;
Series of 2020.

My Docs>F&J>2020 Files>
SEC Form 17-A [Annual Report 2019]

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **F& J Prince Holdings Corporation and its subsidiaries** is responsible for the preparation and fair presentation of the financial statements including the statements attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Board of Directors or Trustees reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Sycip, Gorres, Velayo and Company, the independent auditors appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed under oath by the following:

Robert Y. Cokeng
President/ CEO/ Chairman

Mark Ryan K. Cokeng
Treasurer/Chief Financial Officer

SUBSCRIBED AND SWORN to before me this 16 day of JUN 2020, 2020, affiants exhibiting to me their Community Tax Certificates, as follows:

Names	Community Tax Cert. No.	Date of Issue	Place of Issue
Robert Y. Cokeng	04355673	20 January, 2020	Makati City
Mark Ryan K. Cokeng	04358855	27 January, 2020	Makati City

Doc.No. 141;
Page No. 30;
Book No. 102;
Series of 2020

NOTARY PUBLIC
ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. M-66 until 12/31/2021
PTR No. 8116016, Jan. 2, 2020, Makati City
Roll No. 45790, IBP Lifetime N. 04897
MCLE No.VI-0018565 / Jan. 14, 2019
5/F Fedman Suites, 199 Salcedo Street,
Legaspi Village, Makati City

Exhibit 2

Audited Consolidated Financial Statements as of

December 31, 2019 and December 31, 2018

Exhibit 2

Audited Consolidated Financial Statements as of

December 31, 2019 and December 31, 2018

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	4	3	3	7	0	

COMPANY NAME

F & J PRINCE HOLDINGS CORPORAT
ION AND SUBSIDIARIES

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

5TH FLOOR, CITIBANK CENTER, 87
41 PASEO DE ROXAS, MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
ACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
fjphco@gmail.com	8892-7133 / 8892-7137	NONE

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
480	07/26	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Fina C. Tantuico	fct.law@gmail.com	3633-2107	09178920786

CONTACT PERSON's ADDRESS

5th Floor Citibank Center, 8741 Paseo de Roxas, Makati City

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

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

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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
F & J Prince Holdings Corporation and Subsidiaries
5th Floor, Citibank Center
8741 Paseo de Roxas, Makati City

Opinion

We have audited the consolidated financial statements of F & J Prince Holdings Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters.

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Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

<u>Accounting for Investments in Associates</u>
The Group owns 35% and 30% of Business Process Outsourcing International (BPO) and Pointwest Technologies Corporation (PTC), respectively. These investments in associates are accounted for under the equity method. The accounting for these investments is significant to our audit because of the substantial amount of the Group's investment in and its share in net earnings and other comprehensive income of these associates. As of December 31, 2019, the investments in associates amounted to ₱277.6 million, and the Group's equity in net earnings and share in other comprehensive income of associates for the year then ended amounted to ₱5.3 million and ₱26.2 million, respectively.

Refer to Note 9 for the discussion on the Investments in Associates.

Audit Response

Our audit procedures included, among others, coordinating and instructing the statutory auditors of the associates to perform an audit on the relevant financial information of BPO and PTC for the purpose of the Group's consolidated financial statements. During the year, we discussed the risk assessment, audit strategy of the statutory auditors, as well as any significant developments in the associates. We reviewed the working papers of the statutory auditor, focusing on the procedures that will have an impact on the net income and other comprehensive income of the Group. We recalculated the Group's equity in net earnings of associates based on the associates' audited financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leovina Mae V. Chu.

SYCIP GORRES VELAYO & CO.

Leovina Mae V. Chu

Leovina Mae V. Chu
Partner
CPA Certificate No. 99910
SEC Accreditation No. 1712-A (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 209-316-911
BIR Accreditation No. 08-001998-96-2018,
February 2, 2018, valid until February 1, 2021
PTR No. 8125319, January 7, 2020, Makati City

June 15, 2020

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱582,252,670**	₱571,371,026
Financial assets at fair value through profit or loss (FVTPL) (Note 7)	**248,646,828**	204,738,312
Receivables (Note 8)	**5,906,570**	7,282,381
Due from related parties (Note 17)	**17,410,911**	16,254,266
Current portion of financial assets at fair value through other comprehensive income (FVOCI) (Note 10)	**582,302**	6,945,819
Prepayments and other current assets	**33,303,802**	33,652,221
Total Current Assets	**888,103,083**	840,244,025
Noncurrent Assets		
Financial assets at FVOCI - net of current portion (Note 10)	**299,930,551**	424,085,785
Investments in associates (Note 9)	**277,599,655**	283,463,312
Property and equipment (Note 11)	**7,283,121**	8,927,081
Investment properties (Note 12)	**391,291,609**	399,897,554
Deferred income tax asset (Note 15)	**10,505,734**	–
Other noncurrent assets (Note 17)	**29,136,257**	743,580
Total Noncurrent Assets	**1,015,746,927**	1,117,117,312
TOTAL ASSETS	**₱1,903,850,010**	₱1,957,361,337
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 13)	**₱10,339,260**	₱8,084,887
Dividends payable (Note 24)	**6,235,209**	5,139,021
Income tax payable	**9,018,761**	1,902,626
Provision for legal obligation (Note 20)	**5,000,000**	5,000,000
Total Current Liabilities	**30,593,230**	20,126,534
Noncurrent Liabilities		
Retirement benefit obligation (Note 14)	**18,344,610**	12,927,729
Deposits payable	**2,726,766**	2,027,351
Deferred income tax liabilities – net (Note 15)	**–**	4,730,375
Total Noncurrent Liabilities	**21,071,376**	19,685,455
Total Liabilities	**51,664,606**	39,811,989
Equity		
Common stock (Note 16)	**481,827,653**	481,827,653
Additional paid-in capital	**144,759,977**	144,759,977
Treasury shares (Note 16)	**(101,969,326)**	(101,777,276)
Net unrealized valuation gains (losses) on financial assets at FVOCI (Notes 10)	**(18,558,195)**	17,432,186
Actuarial losses on retirement benefit obligation (Note 14)	**(2,959,003)**	(416,121)
Accumulated share in other comprehensive income of associates (Note 9)	**90,849,242**	72,344,371
Retained earnings (Note 16)	**1,185,978,066**	1,230,524,692
Equity Attributable to Equity Holders of the Parent Company	**1,779,928,414**	1,844,695,482
Noncontrolling Interests	**72,256,990**	72,853,866
Total Equity	**1,852,185,404**	1,917,549,348
TOTAL LIABILITIES AND EQUITY	**₱1,903,850,010**	**₱1,957,361,337**

See accompanying Notes to Consolidated Financial Statements.

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2019	2018	2017
REVENUES AND INCOME			
Interest income (Notes 6 and 10)	**₱36,276,019**	₱33,083,309	₱37,412,772
Net foreign exchange gains (loss)	**(22,852,246)**	31,645,114	7,974,284
Rent income (Notes 12)	**25,140,621**	23,167,135	20,834,930
Fair value gains (losses) on financial assets at FVTPL (Note 7)	**27,685,974**	(14,162,960)	17,421,323
Equity in net earnings (losses) of associates (Note 9)	**5,344,072**	(13,972,203)	40,864,501
Dividend income (Notes 7 and 10)	**4,856,887**	3,718,041	2,424,550
Gains (losses) on disposal of:			
Financial assets at FVOCI (Note 10)	**3,915,722**	(1,339,289)	–
Financial assets at FVTPL (Note 7)	**3,435**	–	1,321,922
AFS financial assets (Note 10)	**–**	–	2,193,712
HTM investments	**–**	–	242,352
Others	**78,240**	692,916	137,494
	80,448,724	62,832,063	130,827,840
EXPENSES			
Personnel expenses:			
Salaries and wages	**11,128,299**	11,071,139	10,208,855
Retirement benefits (Note 14)	**1,823,410**	1,379,877	1,309,020
Other employee benefits	**2,041,635**	2,002,421	1,825,715
Depreciation (Notes 11 and 12)	**10,449,348**	10,557,370	10,324,446
Professional fees	**2,886,547**	3,156,864	4,935,037
Condominium dues	**2,031,985**	2,223,850	2,365,479
Taxes and licenses	**1,823,085**	5,956,658	4,787,864
Utilities	**1,679,898**	1,841,164	1,573,613
Expected credit losses (Note 10)	**674,413**	754,082	–
Bank charges	**508,954**	777,145	733,900
Entertainment, amusement and recreation	**400,343**	514,178	260,431
Impairment losses on receivables and due from related parties (Notes 8 and 17)	**–**	–	104,000
Others	**1,257,456**	1,619,814	1,621,554
	36,705,373	41,854,562	40,049,914
INCOME BEFORE INCOME TAX	**43,743,351**	20,977,501	90,777,926
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 15)			
Current	**14,355,311**	6,065,053	13,397,607
Deferred	**(4,261,351)**	1,826,571	(2,019,454)
	10,093,960	7,891,624	11,378,153
NET INCOME	**₱33,649,391**	₱13,085,877	₱79,399,773
NET INCOME ATTRIBUTABLE TO			
Equity holders of the parent	**₱32,205,281**	₱12,088,289	₱77,729,401
Noncontrolling interests	**1,444,110**	997,588	1,670,372
	₱33,649,391	₱13,085,877	₱79,399,773
Basic/Diluted Earnings Per Share for Net Income Attributable to Equity Holders of the Parent Company (Note 18)	₱0.08	₱0.03	₱0.20

See accompanying Notes to Consolidated Financial Statements.

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
NET INCOME	**₱33,649,391**	₱13,085,877	₱79,399,773
OTHER COMPREHENSIVE INCOME			
Items that will be reclassified to profit or loss:			
Net unrealized valuation gains (losses) on financial assets at FVOCI, net of tax effect (Notes 10 and 15)	**20,724,595**	(29,707,738)	–
Net unrealized valuation gains on AFS financial assets, net of tax effect (Notes 10 and 15)	**–**	–	47,922,567
Cumulative translation adjustment (Note 9)	**(7,733,503)**	13,757,840	(313,263)
Items that will not be reclassified to profit or loss:			
Net unrealized valuation losses on financial assets at FVOCI, net of tax effect (Notes 10 and 15)	**(57,777,689)**	(19,552,306)	–
Actuarial gains (losses) on retirement benefit obligation, net of tax effect (Notes 14 and 15)	**(2,676,495)**	369,152	377,677
Share in other comprehensive income of associates (Note 9)	**26,238,374**	8,210,944	25,827,365
	(21,224,718)	(26,922,108)	73,814,346
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱12,424,673**	(₱13,836,231)	₱153,214,119
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the parent	**₱12,176,889**	(₱13,118,809)	₱147,983,362
Noncontrolling interests	**274,784**	(717,422)	5,230,757
	₱12,424,673	(₱13,836,231)	₱153,214,119

See accompanying Notes to Consolidated Financial Statements.

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	Attributable to Equity Holders of the Parent Company									
	Common Stock (Note 16)	Additional Paid-in Capital	Treasury Shares (Note 16)	Net Unrealized Valuation Gains (Losses) on AFS Financial Assets (Note 10)	Actuarial Losses on Retirement Benefit Obligation (Note 14)	Share in Other Comprehensive Income of Associates (Note 9)	Retained Earnings (Note 16)	Total	Noncontrolling Interests	Total Equity
Balances at January 1, 2017	₱481,827,653	₱144,759,977	(₱99,669,477)	₱18,686,502	(₱1,152,586)	₱24,861,485	₱1,296,094,095	₱1,865,407,649	₱73,210,971	₱1,938,618,620
Net income for the year	–	–	–	–	–	–	77,729,401	77,729,401	1,670,372	79,399,773
Other comprehensive income										
Net unrealized valuation gains on changes in fair value of AFS financial assets	–	–	–	44,379,956	–	–	–	44,379,956	3,542,611	47,922,567
Actuarial gains on retirement benefit obligation	–	–	–	–	359,903	–	–	359,903	17,774	377,677
Share in other comprehensive income of associates	–	–	–	–	–	25,514,102	–	25,514,102	–	25,514,102
Total comprehensive income for the year	–	–	–	44,379,956	359,903	25,514,102	77,729,401	147,983,362	5,230,757	153,214,119
Dividends declared - ₱0.20 per share	–	–	–	–	–	–	(76,818,705)	(76,818,705)	–	(76,818,705)
Acquisition of treasury shares	–	–	(1,277,479)	–	–	–	–	(1,277,479)	–	(1,277,479)
Dividends declared by the subsidiary to noncontrolling interests	–	–	–	–	–	–	–	–	(4,454,183)	(4,454,183)
Balances at December 31, 2017	₱481,827,653	₱144,759,977	(₱100,946,956)	₱63,066,458	(₱792,683)	₱50,375,587	₱1,297,004,791	₱1,935,294,827	₱73,987,545	₱2,009,282,372

(Forward)

	Common Stock (Note 16)	Additional Paid-in Capital	Treasury Shares (Note 16)	Net Unrealized Valuation Gains (Losses) on Financials Assets at FVOCI (Note 10)	Actuarial Gains (Losses) on Retirement Benefit Obligation (Note 14)	Share in Other Comprehensive Income of Associates (Note 9)	Retained Earnings (Note 16)	Total	Noncontrolling Interests	Total Equity
	Attributable to Equity Holders of the Parent Company									
Balances at January 1, 2018	₱481,827,653	₱144,759,977	(₱100,946,956)	₱64,984,630	(₱792,683)	₱50,375,587	₱1,294,989,762	₱1,935,197,970	₱74,084,402	₱2,009,282,372
Net income for the year	–	–	–	–	–	–	12,088,289	12,088,289	997,588	13,085,877
Other comprehensive income										
Net unrealized valuation losses on changes in fair value of financial assets at FVOCI	–	–	–	(47,552,444)	–	–	–	(47,552,444)	(1,707,600)	(49,260,044)
Actuarial gains (losses) on retirement benefit obligation	–	–	–	–	376,562	–	–	376,562	(7,410)	369,152
Share in other comprehensive income of associates	–	–	–	–	–	21,968,784	–	21,968,784	–	21,968,784
Total comprehensive income (loss) for the year	–	–	–	(47,552,444)	376,562	21,968,784	12,088,289	(13,118,809)	(717,422)	(13,836,231)
Dividends declared - ₱0.20 per share	–	–	–	–	–		(76,553,359)	(76,553,359)	–	(76,553,359)
Acquisition of treasury shares	–	–	(830,320)	–	–		–	(830,320)	–	(830,320)
Dividends declared by the subsidiary to noncontrolling interests	–	–	–	–	–		–	–	(513,114)	(513,114)
Balances at December 31, 2018	₱481,827,653	₱144,759,977	(₱101,777,276)	₱17,432,186	(₱416,121)	₱72,344,371	₱1,230,524,692	₱1,844,695,482	₱72,853,866	₱1,917,549,348

	Attributable to Equity Holders of the Parent Company									
	Common Stock (Note 16)	Additional Paid-in Capital	Treasury Shares (Note 16)	Net Unrealized Valuation Gains (Losses) on Financials Assets at FVOCI (Note 10)	Actuarial Losses on Retirement Benefit Obligation (Note 14)	Share in Other Comprehensive Income of Associates (Note 9)	Retained Earnings (Note 16)	Total	Noncontrolling Interests	Total Equity
Balances at January 1, 2019	₱481,827,653	₱144,759,977	(₱101,777,276)	₱17,432,186	(₱416,121)	₱72,344,371	₱1,230,524,692	₱1,844,695,482	₱72,853,866	₱1,917,549,348
Net income for the year	–	–	–	–	–	–	32,205,281	32,205,281	1,444,110	33,649,391
Other comprehensive income										
Net unrealized valuation losses on changes in fair value of financial assets at FVOCI	–	–	–	(35,990,381)	–	–	–	(35,990,381)	(1,062,713)	(37,053,094)
Actuarial losses on retirement benefit obligation	–	–	–	–	(2,542,882)	–	–	(2,542,882)	(133,613)	(2,676,495)
Share in other comprehensive income of associates	–	–	–	–	–	18,504,871	–	18,504,871	–	18,504,871
Total comprehensive income (loss) for the year	–	–	–	(35,990,381)	(2,542,882)	18,504,871	32,205,281	12,176,889	247,784	12,424,673
Dividends declared - ₱0.20 per share	–	–	–	–	–	–	(76,751,907)	(76,751,907)	–	(76,751,907)
Acquisition of treasury shares	–	–	(192,050)	–	–	–	–	(192,050)	–	(192,050)
Dividends declared by the subsidiary to noncontrolling interests	–	–	–	–	–	–	–	–	(844,660)	(844,660)
Balances at December 31, 2019	₱481,827,653	₱144,759,977	(₱101,969,326)	(₱18,558,195)	(₱2,959,003)	₱90,849,242	₱1,185,978,066	₱1,779,928,414	₱72,256,990	₱1,852,185,404

See accompanying Notes to Consolidated Financial Statements.

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱43,743,352**	₱20,977,501	₱90,777,926
Adjustments for:			
Interest income (Notes 6 and 10)	**(36,276,019)**	(33,083,309)	(37,412,772)
Fair value losses (gains) on financial assets at FVTPL (Note 7)	**(27,685,974)**	14,162,960	(17,421,323)
Depreciation (Notes 11 and 12)	**10,449,347**	10,557,370	10,324,446
Net unrealized foreign exchange gains	**(7,844,775)**	(11,133,631)	(3,494,399)
Equity in net losses (earnings) of associates (Note 9)	**(5,344,072)**	13,972,203	(40,864,501)
Dividend income (Notes 7 and 10)	**(4,856,887)**	(3,718,041)	(2,424,550)
Losses (gains) on disposal of:			
Financial assets at FVOCI (Note 10)	**(3,915,722)**	1,339,289	–
Financial assets at FVTPL (Note 7)	**(3,435)**	–	(1,321,922)
AFS financial assets (Note 10)	**–**	–	(2,193,712)
Movement in retirement benefit obligation (Note 14)	**1,071,702**	1,379,877	1,291,246
Impairment losses on FVOCI investments	**640,692**	–	–
Impairment losses on receivables and due from related parties (Notes 8 and 17)	**–**	–	104,000
Recovery of allowance for impairment losses	**–**	(137,582)	–
Operating income (losses) before working capital changes	**(30,021,791)**	14,316,637	(2,635,561)
Decrease (increase) in:			
Receivables	**121,644**	359,300	(1,104,874)
Due from related parties	**(21,503)**	4,723	118,394
Prepayments and other current assets	**348,419**	(15,033,291)	(3,089,771)
Increase (decrease) in:			
Accounts payable and accrued expenses	**2,254,373**	(891,359)	5,580,937
Deposits payable	**699,415**	–	–
Proceeds from disposal of:			
Financial assets at FVOCI (Note 10)	**94,533,553**	53,624,191	–
Financial assets at FVTPL (Note 7)	**7,352,604**	–	13,030,049
AFS financial assets (Note 10)	**–**	–	160,993,084
Additions to:			
Financial assets at FVTPL (Note 7)	**(23,571,711)**	(67,342,773)	(63,978,749)
Financial assets at FVOCI (Note 10)	**(7,638,469)**	(22,141,284)	(214,648,554)
Net cash generated from (used in) operations	**44,056,534**	(37,103,856)	(105,735,045)
Dividends received	**33,434,345**	45,804,053	51,604,155
Interest received	**37,530,186**	32,725,593	39,450,508
Income taxes paid	**(7,239,176)**	(12,037,563)	(10,924,819)
Net cash flows from (used in) operating activities	**107,781,889**	29,388,227	(25,605,201)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment properties (Note 12)	**(189,876)**	(141,663,846)	(79,051,821)
Property and equipment (Note 11)	**(9,567)**	(2,177)	(2,146,428)
Increase in other noncurrent assets (Note 17)	**(28,392,677)**	–	(13,642,824)
Net cash flows used in investing activities	**(28,592,150)**	(141,666,023)	(94,841,073)

(Forward)

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid (Note 16)	**(₱75,655,719)**	(₱78,050,892)	(₱76,188,717)
Dividends to noncontrolling interests	**(844,660)**	(513,114)	(4,454,183)
Acquisition of treasury shares (Note 16)	**(192,050)**	(830,320)	(1,277,479)
Net cash flows used in financing activities	**(76,692,429)**	(79,394,326)	(81,920,379)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**8,384,334**	9,477,714	1,362,037
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**10,881,644**	(182,194,408)	(201,004,616)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**571,371,026**	753,565,434	954,570,050
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱582,252,670**	₱571,371,026	₱753,565,434

See accompanying Notes to Consolidated Financial Statements.

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

F & J Prince Holdings Corporation (the Parent Company) was registered with the Philippine Securities and Exchange Commission (SEC) on February 18, 1971. Its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including, but not limited to, land, building, condominium units, shares of stock, bonds, debentures, notes, evidence of indebtedness and other securities, contracts or obligations of any corporation and associations, domestic or foreign. The term for which the Parent Company is to exist is 50 years from and after the date of incorporation.

The Parent Company's shares of stock are listed in and traded through the Philippine Stock Exchange (PSE). The principal activities of its subsidiaries are described in Note 2.

The registered office address of the Parent Company is 5th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City.

The consolidated financial statements of the Parent Company and its subsidiaries (collectively referred to as the "Group") as of December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 were authorized for issue by the Board of Directors (BOD) on June 15, 2020.

2. Basis of Preparation, Statement of Compliance and Basis of Consolidation

Basis of Preparation
The consolidated financial statements have been prepared under the historical cost basis, except for financial assets at FVTPL and certain investments in debt and equity securities that have been measured at fair value (see Notes 7 and 10). The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency, and rounded off to the nearest peso, except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2019 and 2018. Control is achieved when the Group has power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee), is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, noncontrolling interest and other components while any resultant gain or loss is recognized in consolidated statements of income. Any investment retained is recognized at fair value.

Transactions involving noncontrolling interest in a subsidiary without a change of control are accounted for as equity transactions. Any excess or deficit of consideration paid over the carrying amount of noncontrolling interest acquired is recognized in equity of the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intercompany balances and transactions, including intercompany profits and losses, are eliminated.

Details on the subsidiaries as of December 31, 2019 and 2018 are as follows:

	Country of Incorporation	Percentage of Ownership
Magellan Capital Holdings Corporation (MCHC)*	Philippines	94.37%
Pinamucan Industrial Estates, Inc. (PIEI)	Philippines	100%
Malabrigo Corporation (MC)	Philippines	100%
Magellan Capital Realty Development Corporation (MCRDC)**	Philippines	100%
Magellan Capital Trading Corporation (MCTC)**	Philippines	100%

**Intermediate parent company*
***Non-operational since incorporation.*

MCHC
MCHC is a holding company involved in investing real and personal properties of every kind, including, but not limited to, land, buildings, condominium units, shares of stock, bonds, and other securities of any corporation or association, domestic or foreign. MCHC was registered with SEC on November 6, 1990. MCHC has investments in subsidiaries, mainly PIEI, MC, MCRDC and MCTC.

PIEI
PIEI was organized primarily as a real estate developer and was registered with the SEC on May 5, 1993.

MC
MC was organized primarily to purchase, operate, maintain and sell coal mines and their products and by-products. MC was registered with the SEC on August 31, 1993.

MCRDC
MCRDC was organized to purchase, subscribe for, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of shares of stock, bonds, debentures, notes, evidence of indebtedness and other securities, contracts and obligations of any corporation or corporations, domestic or foreign. MCRDC was registered with the SEC on November 14, 1990 and has been non-operational since incorporation.

MCTC
MCTC was organized to conduct and carry on the business of buying, selling, distributing and marketing at wholesale and retail all kinds of goods, commodities, wares and merchandise. MCTC was registered in the SEC on January 7, 1991 and has been non-operational since incorporation.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended standards which were adopted as of January 1, 2019.

- Amendments to PFRS 9, Prepayment Features with Negative Compensation

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  These amendments had no impact on the consolidated financial statements of the Group.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

  At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

The new accounting standard did not have any significant impact to the consolidated financial statements because the Group did not enter into any lease agreement as a lessee.

- Amendments to PAS 19, *Employee Benefits*, Plan Amendment, Curtailment or Settlement

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

- Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, Investments in Associates and Joint Ventures.

  These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in associates and joint venture to which equity method is not applied.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of Philippine Accounting Standards (PAS) 12, Income Taxes, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its assessment, that it is probable that its uncertain tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the Group's consolidated financial statements.

- Annual Improvements to PFRSs 2015–2017 Cycle

  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments had no impact on the consolidated financial statements of the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  The amendments does not have impact on the consolidated financial statements of the Group since they have no borrowings.

Effective Beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective Beginning on or after January 1, 2023

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

  These amendments have no significant impact on the consolidated financial statements.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes 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.

The Group has not early adopted any other standards, interpretations or amendments that has been issued but is not yet effective.

4. Summary of Significant Accounting Policies

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statements of financial position based on current or noncurrent classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is classified as current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent.

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

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

The principal or the most advantageous market must be accessible by the Group.

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

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

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

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

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from date of placements and that are subject to an insignificant risk of change in value.

Financial Instruments *(Effective Until December 31, 2017)*
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets. Financial assets are classified, at initial recognition, as financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, except in the case of financial assets not recorded at FVPL, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

a. Financial Assets at FVPL
Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39. Financial assets at FVPL are carried in the consolidated statements of financial position at fair value with net changes in fair value presented as fair value gains or losses on financial asset at FVPL in the consolidated statements of income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at FVPL. These embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated statements of income.

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of FVPL.

The Group's investments in trading securities are classified under financial assets at FVPL as of December 31, 2017 (see Note 7).

b. *Loans and Receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the EIR. The effective interest amortization is included as interest income in the consolidated statements of income. The losses arising from impairment are recognized in profit or loss.

The Group's cash and cash equivalents, receivables and due from related parties are classified as loans and receivables as of December 31, 2017 (see Notes 6, 8, and 17).

c. *AFS Financial Assets*
AFS financial assets include equity investments and debt investments. Equity investments classified as AFS financial assets are those that are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that maybe sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in the consolidated statements of comprehensive income until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated statements of income. When the investment is determined to be impaired, the cumulative loss in the consolidated statements of comprehensive income is reclassified to the consolidated statements of income, as impairment loss on AFS financial assets. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

Equity securities classified as AFS financial assets that do not have quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

In the case of a financial asset with a fixed maturity, the fair value at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in the consolidated statements of comprehensive income is amortized to the consolidated statements of income over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in the consolidated statements of comprehensive income is reclassified to the consolidated statements of income.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall remain in OCI until the financial asset is sold or otherwise disposed of, when it shall be recognized in profit or loss. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in the consolidated statements of comprehensive income is recognized in the consolidated statements of income.

The Group's AFS financial assets consist of debt and equity securities as of December 31, 2017 (see Note 10).

Impairment of Financial Assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the consolidated statements of income. Interest income recognized continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to reversal of impairment loss in the consolidated statements of income.

b. *AFS Financial Assets*
For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized is removed from OCI and recognized in profit or loss. Impairment losses on equity investments are not reversed through the consolidated statements of income; increases in their fair value after impairment are recognized in the consolidated statements of comprehensive income.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS financial assets, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statements of income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income is recognized as part of profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated statements of income.

Financial Instruments *(Effective Starting January 1, 2018)*

Financial Assets

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial Assets at Amortized Cost (Debt Instruments). The Group measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in the consolidated statements of income when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes "Cash and cash equivalents", "Receivables", and "Due from related parties" accounts in the consolidated statements of financial position (see Notes 6, 8, and 17).

Financial Assets at FVOCI With Recycling of Cumulative Gains and Losses (Debt Instruments). The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statements of comprehensive income and computed in the same manner as for the financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI is recycled to the consolidated statements of income.

The Group has debt instruments at FVOCI amounting to ₱235.9 million and ₱260.9 million as of December 31, 2019 and 2018, respectively (see Note 10).

Financial Assets Designated at FVOCI With No Recycling of Cumulative Gains and Losses Upon Derecognition (Equity Instruments). Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statements of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of financial asset, in which case, such gains are recorded in the consolidated statements of comprehensive income. Equity instruments designated at fair value through OCI are not subject to impairment.

The Group elected to classify irrevocably its quoted equity securities under this category amounting to ₱58.1 million and ₱132.6 million as of December 31, 2019 and 2018, respectively (see Note 10).

Financial Assets at FVTPL. Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flow that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminated, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated statements of financial position at fair value, and revaluation gains and losses are recognized in consolidated statements of income.

The Group has financial assets at FVTPL amounting to ₱248.6 million and ₱204.7 million as of December 31, 2019 and 2018, respectively (see Note 7).

Impairment of Financial Assets. The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR.

The ECL calculation using general approach is composed of three major components - probability of default (PD), loss given default (LGD), and exposure at default (EAD). The 12-month ECL is computed for Stage 1 accounts, while the lifetime ECL is calculated for Stage 2 and Stage 3 accounts. The ECL calculation using simplified approach is computed for Stage 2 and 3 accounts, using lifetime ECL. Accounts with objective evidence of impairment are classified under Stage 3 and shall follow the Group's impairment methodology.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

A loss allowance at an amount equal to at least 12-month expected credit losses will be recognized throughout the life of financial assets, thereby reducing the systematic overstatement of interest revenue. A loss allowance at an amount equal to lifetime expected credit losses will be recognized when credit risk has significantly increased since initial recognition, resulting in the timely recognition of expected credit losses.

The Group considers a financial asset in default when contractual payments are 90 days past due and/or it meets certain qualitative criteria. In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

Financial Liabilities. Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include "Accounts payable and accrued expenses", "Dividends payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards) (see Note 13).

Subsequent Measurement. After initial recognition, the Group's financial liabilities are subsequently measured at amortized cost using the EIR method.

Derecognition of Financial Instruments

Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

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

simultaneously. The Group assesses that it has a currently enforceable right to offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counter parties.

Value-added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of services (output VAT), the excess is recognized as an asset in the consolidated statements of financial position to the extent of the recoverable amount.

Investments in Associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's investment in associates are accounted for under the equity method.

Under the equity method, the investments in associates are initially recognized at cost, and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss of the associates after the date of acquisition. The Group's share of the associates' profit or loss is recognized in the consolidated statements of income. Distributions received from associates reduce the carrying amount of the investment.

Any change in OCI of those investees is presented as part of the consolidated statements of comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate. If the Group's shares of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognizing its share of further losses.

The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associates since the acquisition date. Goodwill relating to the associates is included in the carrying amount of the investment and is not tested for impairment individually.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investments in its associates. At each reporting date, the Group determines whether there is objective evidence that the investments in associates are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognize the loss in the consolidated statements of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statements of income.

The Group has equity interest in the following associates as of December 31, 2019 and 2018:

	Country of Incorporation	Percentage of Ownership
Pointwest Technologies Corporation (PTC)	Philippines	30%
Business Process Outsourcing, International (BPO)	Philippines	35%
Magellan Utilities Development Corporation (MUDC)	Philippines	43%

Investment Properties
Investment properties, comprising a parcel of land and condominium units, are held either to earn rental income or for capital appreciation or both. Investment property pertaining to land is measured at cost, including transaction costs less any accumulated impairment in value.

Investment property pertaining to condominium units is carried at cost less any accumulated depreciation and any impairment in value. Depreciation is computed using straight-line method over the estimated useful life of 25 years.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statements of income in the period of derecognition.

Transfers are made to (or from) investment properties only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Property and Equipment
Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment, including cost of major inspection, when that cost is incurred and if the recognition criteria are met. All other repair and maintenance costs are recognized in the consolidated statements of income as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

Category	Number of Years
Condominium	25
Condominium improvements	10
Transportation equipment	10
Office furniture, fixtures and equipment	5

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as difference between the net disposal proceeds and carrying amount of the asset) is included in the statements of consolidated income when the asset is derecognized.

The residual value and useful lives of property and equipment are reviewed periodically and adjusted prospectively, if appropriate.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited or charged to current operations. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of income in the year the asset is derecognized.

Impairment of Nonfinancial Assets
The Group assesses, at each reporting date, whether there is an indication that an asset maybe impaired. If any indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognized in consolidated statements of income in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in consolidated statements of income.

Capital Stock and Additional Paid-in Capital
The Group has issued capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction, net of tax, from the proceeds.

Amount of contribution in excess of par value is accounted for as an additional paid-in capital. Additional paid-in capital also arises from additional capital contribution from the shareholders.

Treasury Shares
Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in share premium.

Retained Earnings
The amount included in retained earnings includes income attributable to the Group's stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the relevant transitional provisions.

Revenue Recognition
Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and discounts.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods or services.

Prior to 2018, the Group recognizes revenue when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow into the entity. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue Outside the Scope of PFRS 15
The specific recognition criteria described below must be met before revenue is recognized.

Interest Income
For all financial instruments measured at amortized cost and interest-bearing financial assets, interest income is recorded using the EIR method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is recognized in the consolidated statements of income.

Dividend Income
Revenue is recognized when the Group's right to receive payment is established, which is generally when the investee's BOD approves the dividend.

Rent Income
Rent income arising from operating lease on investment properties is accounted for on a straight-line basis over the noncancelable lease term and is included in revenue in the consolidated statements of income.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on a straight-line basis. Contingent rents are recognized as revenue in the period in which they are earned.

Expenses
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when goods are received by and services are rendered to the Group or when the expenses arise.

Retirement Benefits
The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements comprising of actuarial gains and losses, return on plan assets and any change in the effect of asset ceiling (excluding amounts net interest on the net defined benefit liability), are recognized immediately in the consolidated statements of comprehensive income in the period in which they occur. Remeasurements are not reclassified to the consolidated statements of income in subsequent periods.

Past service costs are recognized in the consolidated statements of income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under "Retirement benefits" in consolidated statements of income:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

Leases effective January 1, 2019
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases prior to January 1, 2019
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement eonveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

Foreign Currency Transactions
The consolidated financial statements are presented in Philippine peso, which is the Group's functional currency. Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated using the functional currency spot rates of exchange at the reporting date. Differences arising from settlement or translation of monetary items are recognized in profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the

exchange rates at the dates when the fair values are determined. The gain or loss arising on translation of nonmonetary items measured at fair values is treated in line with the recognition of gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in the consolidated statements of comprehensive income or the consolidated statements of income are also recognized in the consolidated statements of comprehensive income or consolidated statements of income, respectively).

Income Taxes

Current Income Tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of income.

Deferred Income Tax
Deferred income tax is provided using the balance sheet liability method on temporary differences between the income tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the forseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits in the form of minimum corporate income tax (MCIT) and unused tax losses in the form of net operating loss carryover (NOLCO). Deferred income tax assets are recognized to the extent that it is probable that taxable income will be available against which the deductible temporary differences of MCIT and NOLCO can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the income tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on income tax rates and income tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside of profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustments is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in the consolidated statements of income.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statements of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingencies

Contingent assets and liabilities are not recognized in the consolidated financial statements. Contingent assets are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable and recognized in the consolidated statements of financial position and the related income in the consolidated statements of income when an inflow of economic benefits is virtually certain. On the other hand, contingent liabilities are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Earnings Per Share (EPS)

Basic earnings per share amounts are calculated by dividing net income for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net income for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

As of December 31, 2019, 2018 and 2017, the Group does not have any dilutive potential common shares. Hence, diluted EPS is the same as basic EPS.

Segment Reporting
For purposes of Management reporting, the Group's operating businesses are organized and managed separately on a per Company basis, with each company representing a strategic business segment. The Group's identified operating segments are consistent with the segments reported to the BOD which is the Group's Chief Operating Decision Maker (CODM). Information on the operating segment is presented in Note 19.

Events After the Reporting Period
Events after the reporting period that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The consolidated financial statements prepared in accordance with PFRSs require management to make judgments, estimates and assumptions that affect amounts reported in the financial statements and related notes. The judgments, estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments, estimates and assumptions are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following items are those matters which the Group assess to have significant risks arising from estimation uncertainties:

Judgments

Determination of Significant Influence over an Investee Company
The Group considers its investments in PTC, BPO and MUDC as investments in associates. The Group concluded that it has more than 20% ownership interest and has significant influence over the operating and financial policies of its investments in associates due to the following:

- representation on the BOD;
- participation in policy-making processes, including participation in decisions about dividends and other distributions; and
- material transactions between the investor and investee

Determining Noncontrolling Interest (NCI) that is Material to the Group
The Group assesses whether an NCI is material by considering factors such as the carrying amount of the NCI relative to the net equity of the Group, the profit or loss or OCI of the subsidiary attributable to the NCI, the assets and liabilities of the related subsidiary, or the amount of dividends paid by the subsidiary to the NCI, and the proportion that these amounts bear to the Group's financial position or results of operations. The Group also considers the nature of the activities of the subsidiary and its relative importance or risk compared to other operations of the Group. Based on management's assessment, it has determined that the NCI in MCHC is not material to the Group.

Classification of Financial Instruments
The Group exercises judgments in classifying a financial instrument, or its component parts, upon initial recognition either as a financial asset, a financial liability or an equity instrument in accordance

with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

In addition, the Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether market transactions take place with sufficient frequency and volume.

Contractual Cash Flows Assessment
Beginning January 1, 2018, for each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Evaluation of Business Model in Managing Financial Instruments
Beginning January 1, 2018, the Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Estimates and Assumptions

Determination of Fair Values of Financial Instruments
The Group carries and discloses certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., quoted prices, interest rates

and foreign exchange rates), the amount of changes in fair value would differ if the Group utilized a different valuation methodology.

Where the fair value of certain financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. The judgments include of liquidity and model inputs such as liquidity risk, credit risk and considerations volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair values of the Group's financial instruments are disclosed in Note 22 to the consolidated financial statements.

Estimating Provision for Expected Credit Losses (Effective Starting January 1, 2018)
The Group uses the general approach to calculate expected credit losses for receivables and amounts due from related parties. The Group tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECL at each reporting date. The information about the Group's expected credit losses is disclosed in Note 21.

In 2019 and 2018, the Group did not recognize additional provision for expected credit losses on its receivables and due from related parties.

As of December 31, 2019, the aggregate allowance for expected credit losses on receivables and due from related parties amounted to ₱188.6 million. The receivables and due from related parties, net of allowance for expected credit losses, amounted to ₱23.3 million and ₱23.5 million as of December 31, 2019, and 2018, respectively (see Notes 8 and 17).

Estimating Impairment of Equity Securities Classified as AFS Financial Assets (Effective Until December 31, 2017)
The Group treats quoted equity securities classified as AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment.

The Group generally considers a decline in fair value of greater than 20% as significant and a decline in fair value for a period of more than six months as prolonged. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

For unquoted shares, the Group estimates the expected future cash flows from the investment and calculates the amount of impairment as the difference between the present value of expected future cash flows from the investment and its acquisition cost and recognizes the amount in the consolidated statements of comprehensive income.

No impairment on unquoted equity securities classified as AFS financial assets was recognized in 2017.

Estimating Impairment of Debt Securities Classified as Financial Assets at FVOCI (Effective Starting January 1, 2018)
The Group assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Group assesses whether the credit risk on that financial instruments has increased significantly since initial recognition.

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

The Group's debt instrument in FVOCI comprise solely of top investment grade bonds that are graded by top credit rating agencies and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the top credit rating agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group recognized impairment loss for debt securities classified as financial assets at FVOCI as at December 31, 2019 and 2018 amounting to ₱0.7 million and ₱0.8 million, respectively (see Note 10). The carrying value of debt securities classified as financial assets at FVOCI as of December 31, 2019 and 2018 amounted to ₱235.9 million and ₱260.9 million, respectively.

Estimating Impairment of Investment in Associates
The Group performs an impairment review on its investments in associates whenever an impairment indicator exists. This requires an estimation of the value in use of the investments. Estimating the value in use requires the Group to make an estimate of the expected future cash flows of the investments and to make use of a suitable discount rate to calculate the present value of those future cash flows.

The carrying amount of investment in shares of stock amounted to ₱277.6 million and ₱283.5 million as of December 31, 2019 and 2018, respectively. Allowance for impairment losses on the Group's investments in associates amounted to ₱94.8 million as of December 31, 2019 and 2018 (see Note 9).

Estimating Impairment of Nonfinancial Assets
The Group determines whether prepayments and other current assets, investments in associates, property and equipment, investment properties, and other noncurrent assets are impaired whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

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

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

The Group has not identified any events or changes in circumstances that would indicate an impairment of its nonfinancial assets as of December 31, 2019 and 2018 as follows:

	2019	2018
Prepayments and other current assets	**₱33,303,802**	₱33,652,221
Property and equipment (see Note 11)	**7,283,121**	8,927,081
Investment properties (see Note 12)	**391,291,609**	399,897,554
Other noncurrent assets	**29,136,257**	743,580
	₱461,014,789	₱443,220,436

Estimating Useful Lives of Property and Equipment and Investment Properties
The estimated useful lives used as bases for depreciating the Group's property and equipment and investment properties were determined on the basis of management's assessment of the period within which the benefits of these assets are expected to be realized taking into account actual historical information on the use of such assets as well as industry standards and averages applicable to the Group's assets.

The net book value of the Group's property and equipment and investment properties are disclosed in Notes 11 and 12 to the consolidated financial statements.

Estimating Retirement Benefit Obligation
The determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by actuary in calculating such amounts. In accordance with PFRSs, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement benefit obligation. The carrying amount of the Group's retirement benefit obligation as of

December 31, 2019 and 2018 amounted to ₱18.3 million and ₱12.9 million, respectively (see Note 14).

Estimating Realizability of Deferred Income Tax Assets
Deferred income tax asset is recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable income will be available in the future against which the deductible temporary differences can be utilized. Significant management estimate is required to determine the amount of deferred tax asset that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. The Group did not recognize deferred income tax assets on its deductible temporary differences amounting to ₱250.6 million as of December 31, 2019 and 2018, as management believes that sufficient future taxable income will not be available to allow all or part of the deferred income tax asset to be utilized (see Note 15).

Estimating Provision for Legal Obligation
The estimate of provision for legal obligation has been developed by management. The management currently does not believe the provision will have a material adverse effect on its financial position

and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates of provisions. In 2011, the Group recognized provision for legal obligation amounting to ₱5.0 million for claim arising from lawsuit which is either awaiting decision by the courts or is subject to settlement obligations (see Note 20). No additional provisions were made in 2019, 2018 and 2017.

6. Cash and Cash Equivalents

	2019	2018
Cash on hand and with banks	**₱34,519,227**	₱57,082,264
Short-term placements	**547,733,443**	514,288,762
	₱582,252,670	₱571,371,026

Cash with banks earn interest at the respective bank deposit rates. Short-term placements are fixed rate time deposits denominated in United States (US) dollar and Philippine peso, made for varying periods of up to three months or less, depending on the immediate cash requirements of the Group, and earn interest at the respective bank rates ranging from 1.5% to 6.2% in 2019, 1.0% to 4.9% in 2018 and 1.0% to 2.5% in 2017.

Interest income earned from these bank deposits and short-term placements amounted to ₱18.9 million, ₱13.6 million and ₱14.9 million in 2019, 2018 and 2017, respectively.

7. Financial Assets at FVTPL

Financial assets at FVTPL consist of listed securities which are traded in the PSE, New York Stock Exchange (NYSE) and Hong Kong Stock Exchange (HKEx). Fair values of listed equity securities are based on quoted market prices in the PSE, NYSE and HKEx.

The carrying value of financial assets at FVTPL includes cumulative unrealized gain on fair value changes amounting to ₱55.1 million and ₱29.8 million in 2019 and 2018, respectively.

The rollforward of the Group's investments in financial assets at FVTPL is as follows:

	2019	2018
Cost:		
Balances at beginning of year	**₱174,942,538**	₱107,599,765
Additions	**23,571,711**	67,342,773
Disposals	**(4,943,497)**	–
Balances at end of year	**193,570,752**	174,942,538
Changes in fair value:		
Balances at beginning of year	**29,795,774**	43,958,734
Fair value gains (losses)	**27,685,974**	(14,162,960)
Disposals	**(2,405,672)**	–
Balances at end of year	**55,076,076**	29,795,774
	₱248,646,828	₱204,738,312

Dividend income earned on investments in financial assets at FVTPL amounted to ₱4.0 million, ₱3.0 million, and ₱1.4 million in 2019, 2018 and 2017, respectively, presented as "Dividend income" in the consolidated statements of income.

The Group recognized gain on disposal of financial asset at FVTPL amounting to ₱3.4 thousand, nil and ₱1.3 million in 2019, 2018 and 2017, respectively.

8. Receivables

	2019	2018
Third parties:		
Accrued interest	**₱6,193,246**	₱7,447,413
Rent receivables	**595,352**	618,895
Others	**79,340**	177,441
Balances at end of year	**6,867,938**	8,243,749
Less allowance for expected credit losses	**961,368**	961,368
	₱5,906,570	₱7,282,381

Accrued interest from third parties pertain to interests earned on investments in short-term placements, short-term investments and debt securities classified as financial assets at FVOCI that are expected to be collected within one year.

9. Investments in Associates

	2019	2018
Acquisition cost	**₱193,760,135**	₱193,760,135
Accumulated share in net earnings, other comprehensive income and cumulative translation adjustment of associates:		
As at beginning of year	**184,533,306**	221,283,475
Share in net income (losses) of associates	**5,344,072**	(13,972,203)
Dividends declared by associates	**(29,712,600)**	(44,746,750)
Share in other comprehensive income of associates	**26,238,374**	8,210,944
Cumulative translation adjustment	**(7,733,503)**	13,757,840
As at end of year	**178,669,649**	184,533,306
	372,429,784	378,293,441
Less allowance for impairment losses	**94,830,129**	94,830,129
	₱277,599,655	₱283,463,312

The Group has equity interest in the following associates as of December 31:

	Country of Incorporation	Percentage of Ownership	Carrying Amount of Investments 2019	2018
MUDC	Philippines	43%	**₱94,830,129**	₱94,830,129
Less allowance for impairment losses			**(94,830,129)**	(94,830,129)
			–	–
PTC	Philippines	30%	**207,396,659**	221,837,783
BPO	Philippines	35%	**70,202,966**	61,625,529
			₱277,599,625	₱283,463,312

PTC
PTC is a global service company outsourcing information technology services from the Philippines. Among others, it offers software servicing, maintenance, testing and development to various clients, mostly in the US.

Dividends
On April 12, 2019, PTC declared cash dividends amounting to $1.0 million or $0.00073 per share of the outstanding stocks as of record date January 31, 2019. Dividends were paid on June 30, 2019 (see Note 17).

On February 13, 2018, PTC declared cash dividends amounting to $2.1 million or $0.0015 per share of the outstanding stocks as of record date January 31, 2018. Dividends were paid on June 30, 2018 (see Note 17).

On February 14, 2017, PTC declared cash dividends amounting to $2.1 million or $0.0015 per share of the outstanding stocks as of record date January 31, 2017. Dividends were paid on June 30, 2017 (see Note 17).

The Group's share in the dividends declared amounted to ₱15.7 million, ₱32.5 million, and ₱30.8 million in 2019, 2018 and 2017, respectively.

The summarized financial information of PTC is as follows ('000):

	2019	2018
Current assets	**₱581,563**	₱673,160
Noncurrent assets	**282,645**	191,348
Total assets	**864,208**	864,508
Current liabilities	**122,095**	123,261
Noncurrent liabilities	**69,541**	20,537
Total liabilities	**191,636**	143,798
Equity	**672,572**	720,710
Gross revenue	**748,470**	1,090,760
Operating loss	**(63,381)**	(116,279)
Net loss	**(54,911)**	(107,522)
Group's share in net loss	**(16,473)**	(32,257)

The difference between the carrying value of the investment in PTC against the share in net assets of PTC represents goodwill at acquisition date.

BPO

BPO is a provider of accounting and finance related services such as payroll, internal audit, payables processing and others. It is involved in outsourcing business process services in the Philippines, servicing many of the multinational and large corporations operating in the country.

Dividends

On December 27, 2019, BPO declared cash dividends amounting to ₱40.0 million or ₱51.28 per share of the outstanding stocks as of record date December 28, 2019. Dividends shall be payable on or before August 28, 2020 (see Note 17).

On December 18, 2018, BPO declared cash dividends amounting to ₱35.0 million or ₱44.87 per share of the outstanding stocks as of record date December 17, 2018. Dividends were paid on August 31, 2019 (see Note 17).

On December 12, 2017, BPO declared cash dividends amounting to ₱30.0 million or ₱107.00 per share of the outstanding stocks as of record date December 12, 2017. Dividends were paid on June 30, 2018 (see Note 17).

The Group's share in the dividends declared amounted to ₱14.0 million, ₱12.25 million and ₱10.5 million in 2019, 2018 and 2017, respectively.

The summarized financial information of BPO is as follows ('000):

	2019	2018
Current assets	**₱177,620**	₱160,725
Noncurrent assets	**99,529**	74,420
Total assets	**277,149**	235,145
Current liabilities	**124,556**	105,619
Noncurrent liabilities	**11,410**	13,295
Total liabilities	**135,966**	118,914
Equity	**141,183**	116,231
Gross revenue	**205,268**	175,548
Operating profit	**89,808**	69,754
Net income	**62,781**	52,241
Group's share in net income	**21,973***	18,284

**Amounts are based on the audited financial statements of BPO. The share in net income of associate taken up for consolidation is net of adjustment of the difference in accounting for leases.*

The difference between the carrying value of the investment in BPO against the share in net assets of BPO represents goodwill at acquisition date.

MUDC

The Group has a 43% interest in MUDC. As of December 31, 2019, MUDC has been non-operational since its incorporation. However, it has obtained the necessary requirements for the signing of a supply agreement with a public utility firm and a purchase agreement with certain oil companies. As of December 31, 2019 and 2018, MUDC has project development costs of ₱207.1 million. The recoverability of these assets and the ultimate success of MUDC's future operations are dependent upon the signing of these agreements. The foregoing conditions indicate the existence of a material uncertainty which may cast significant doubt on MUDC's ability to continue as a going concern and the recoverability of the Group's significant investment in MUDC.

As of December 31, 2019 and 2018, MUDC has incurred significant losses, which resulted in capital deficiency amounting to ₱257.4 and ₱257.2 million in 2019 and 2018, respectively.

The Group has investment in MUDC amounting to ₱94.8 million as of December 31, 2019 and 2018 and advances to MUDC amounting to ₱188.4 million as of December 31, 2019 and 2018 (see Note 17). The Group has assessed that its investment in MUDC amounting to ₱94.8 million as of December 31, 2019 and 2018 and its advances to MUDC amounting to ₱188.4 million as of December 31, 2019 and 2018 are impaired since management believes that it will no longer recover from such investment and advances (see Note 17). Management is not required to infuse more capital to MUDC and that losses are limited to the invested additional advances as of December 31, 2019 and 2018.

10. Financial Assets at FVOCI

	2019	2018
Quoted:		
Debt securities - at fair value, net of allowance for impairment loss of ₱2.1 million in 2019 and 2018	**₱235,921,149**	₱260,853,437
Equity securities	**58,075,827**	132,605,290
Unquoted equity securities	**6,515,877**	37,572,877
	300,512,853	431,031,604
Less current portion	**582,302**	6,945,819
	₱299,930,551	₱424,085,785

Movements in financial assets at FVOCI are as follows:

	2019	2018
Balance at beginning of year	**₱431,031,604**	₱522,510,808
Additions	**15,506,600**	22,141,284
Changes recognized in profit or loss	**(8,216,708)**	1,008,589
Movements in net unrealized valuation loss	**(43,803,871)**	(61,004,886)
Disposals	**(94,004,772)**	(53,624,191)
Balances at end of year	**₱300,512,853**	₱431,031,604

Investments in debt securities are denominated in various foreign currencies and are stated at fair value based on quoted prices. Changes in market values are included in the consolidated statements of comprehensive income. The debt securities bear fixed interest rates ranging from 4.38% to 13.63%, 2.71% to 10.02%, and 2.71% to 13.63% in 2019, 2018 and 2017, respectively. Maturity dates of the investments range from 2017 to 2024. Interests on investments are received and settled semi-annually in its denominated currency.

Investments in equity securities carried at fair value consist of investments in quoted and unquoted shares of stock which the Group has neither control nor significant influence. The fair market values of the listed shares are determined by reference to published quotations in an active market as of December 31, 2019 and 2018. For unlisted shares of stocks that do not have readily available market values, the Group uses valuation for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Movements in the net unrealized valuation gains on financial assets at FVOCI are as follows:

	2019	2018
Balance at beginning of year	₱23,979,813	₱73,239,857
Changes in fair value	(34,163,736)	(49,972,652)
Expected credit losses	674,413	754,082
Disposals	(3,563,773)	(41,474)
Balances at end of year	(₱13,073,284)	₱23,979,813

Allowance for expected credit losses on financial assets at FVOCI debt instruments financial assets amounted to ₱2.1 million as of December 31, 2019 and 2018.

Net unrealized valuation gains on financial assets at FVOCI attributable to equity holders of the Parent Company amounted to ₱18.6 million and ₱17.4 million as of December 31, 2019 and 2018, respectively.

Interest earned on debt securities classified as financial assets at FVOCI amounted to ₱17.4 million and ₱19.5 million in 2019 and 2018, respectively, and interest earned on debt securities classified as AFS financial assets amounted to ₱22.5 million in 2017 presented as "Interest income" in the consolidated statements of income.

Dividend income earned on equity securities classified as financial assets at FVOCI amounted to ₱0.9 and ₱0.7 million in 2019 and 2018, respectively, and dividend income earned on equity securities classified as AFS financial assets amounted ₱1.0 million in 2017.

The Group disposed certain financial assets at FVOCI and recognized a gain from disposal amounting to ₱3.9 million in 2019 and a loss of ₱1.3 million in 2018. The Group recognized a gain from disposal of AFS financial assets amounting to ₱2.2 million in 2017.

11. Property and Equipment

	Condominium	Condominium Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	2019 Total
Cost:					
Balances at beginning of year	₱20,755,943	₱8,764,062	₱10,263,079	₱2,865,479	₱42,648,563
Additions	–	–	–	9,567	9,567
Balances at end of year	20,755,943	8,764,062	10,263,079	2,875,046	42,658,130
Accumulated depreciation:					
Balances at beginning of year	15,152,152	8,387,280	7,337,618	2,844,432	33,721,482
Depreciation	830,237	70,547	743,595	9,148	1,653,527
Balances at end of year	15,982,389	8,457,827	8,081,213	2,853,580	35,375,009
Net book values	₱4,773,554	₱306,235	₱2,181,866	₱21,466	₱7,283,121

	Condominium	Condominium Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	2018 Total
Cost:					
Balances at beginning of year	₱20,755,943	₱9,022,991	₱10,263,079	₱2,863,302	₱42, 905,315
Additions	–	–	–	2,177	2,177
Transfer to investment property (see Note 12)	–	(258,929)	–	–	(258,929)
Balances at end of year	20,755,943	8,764,062	10,263,079	2,865,479	42,648,563
Accumulated depreciation:					
Balances at beginning of year	14,321,915	8,316,732	6,489,859	2,819,691	31,948,197
Depreciation	830,237	70,548	847,759	24,741	1,773,285
Balances at end of year	15,152,152	8,387,280	7,337,618	2,844,432	33,721,482
Net book values	₱5,603,791	₱376,782	₱2,925,461	₱21,047	₱8,927,081

12. Investment Properties

	Land	**Condominium**	**2019 Total**
Cost:			
Balances at beginning of year	**₱46,319,625**	**₱395,565,125**	**₱441,884,750**
Additions	–	**189,876**	**189,876**
Balances at end of year	**46,319,625**	**395,755,001**	**442,074,626**
Accumulated depreciation:			
Balances at beginning of year	–	**41,987,196**	**41,987,196**
Depreciation	–	**8,795,821**	**8,795,821**
Balances at end of year	–	**50,783,017**	**50,783,017**
Net book values	**₱46,319,625**	**₱344,971,984**	**₱391,291,609**

	Land	Condominium	2018 Total
Cost:			
Balances at beginning of year	₱46,319,625	₱215,815,620	₱262,135,245
Additions	–	179,490,576	179,490,576
Transfer from property and equipment (see Note 11)	–	258,929	258,929
Balances at end of year	46,319,625	395,565,125	441,884,750
Accumulated depreciation:			
Balances at beginning of year	–	33,203,111	33,203,111
Depreciation	–	8,784,085	8,784,085
Balances at end of year	–	41,987,196	41,987,196
Net book values	₱46,319,625	₱353,577,929	₱399,897,554

Condominium units include properties costing ₱179.5 million which title have been passed on to the Company but are still not completed as of December 31, 2019.

Condominium units are being leased to third parties and other related parties as office space. The investment properties generated rent income amounting to ₱25.1 million, ₱23.2 million and ₱20.8 million 2019, 2018 and 2017, respectively (see Note 20). Direct operating expenses arising from investment properties that generated rent income include depreciation and condominium dues which amounted to ₱10.8 million in 2019 and ₱11.0 million in 2018 and 2017.

Sales Comparison Approach

The Group used the Sales Comparison Approach in determining the fair value of land and certain residential condominium units. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. The assessed fair value of the investment properties amounted to ₱878.7 million and ₱785.2 million as of December 31, 2019 and 2018, respectively. The fair values of the investment properties are based on valuations performed by an accredited independent valuer in 2018 and management appraisal updated using current and year-end values and assumptions, as available, in 2019. The valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

Sales comparison approach uses data on actual sales and/or listings, offers, and renewal options, and identifies the similarities and differences in the data, ranks the data according to their relevance, adjusts the sales prices of the comparable to account for the dissimilarities with the unit being appraised, and forms a conclusion as to the most reasonable and probable market value of the subject property.

The elements of comparison include location, physical characteristics, available utilities, zoning, and highest and best use. The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage, topography and location.

The significant unobservable inputs to valuation of investment properties ranges from ₱282,000 - ₱792,000 per square meter in 2019 and 2018.

For land and certain residential condominium units, significant increases (decreases) in price per square meter would result in a significantly higher (lower) fair value of the properties.

Income Approach
The Group used the Income Approach in determining the fair value of condominium units for lease. The Income Approach is based on the premise that the value of a property is directly related to the income it generates. Capitalization rate used in the income approach valuation is 6%. The assessed fair value of the investment properties amounted to ₱437.9 million and ₱442.9 million as of December 31, 2019 and 2018, respectively.

For condominium units for lease, significant increases (decreases) in the income generated from the properties would result in a significantly higher (lower) fair value of the properties.

These investment properties are categorized as Level 3 in the fair value hierarchy since valuation is based on unobservable inputs.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

13. Accounts Payable and Accrued Expenses

	2019	2018
Current portion of deposits payable	**₱7,063,978**	₱5,013,921
Accounts payable	**388,733**	445,706
Accrued professional fees	**1,588,265**	1,475,318
Government payables	**1,289,884**	1,149,942
Deferred rental income	**8,400**	–
	₱10,339,260	₱8,084,887

Accounts payable are generally noninterest-bearing payables to third party contractors with a credit term of 30 days.

Deposits payable pertain to deposits made by tenants for the lease of a portion of the Group's condominium spaces and will be refunded to the lessee after the lease term.

14. Retirement Benefit Obligation

The existing regulatory framework, Republic Act (RA) No. 7641, *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Group has an unfunded defined benefit pension plan covering substantially all its regular employees. Retirement benefits under the plan are based on a percentage of latest monthly salary and years of credited service.

The table below summarizes the components of retirement benefit expense recognized in the consolidated statements of income, the remeasurement effects recognized in the consolidated statements of comprehensive income and the amounts recognized in the consolidated statements of financial position.

	2019	2018	2017
Balances at beginning of year	**₱12,927,729**	₱12,075,212	₱11,305,731
Retirement benefit expense in profit or loss:			
Current service costs	**881,065**	765,126	765,337
Interest costs	**942,345**	614,751	543,683
	1,823,410	1,379,877	1,309,020
Benefits paid	**(230,093)**	–	–
Remeasurements in other comprehensive income:			
Experience adjustment	**3,364,354**	(170,110)	(490,024)
Changes in financial assumptions	**459,210**	(357,250)	(49,515)
	3,823,564	(527,360)	(539,539)
Balances at end of year	**₱18,344,610**	₱12,927,729	₱12,075,212

Actuarial gains on retirement benefit obligation attributable to the equity holders of the Parent Company amounted to ₱3.0 million and ₱0.4 million as of December 31, 2019 and 2018, respectively.

The principal actuarial assumptions used in determining retirement benefit obligation for the Group's retirement plan are as follows:

	2019	2018	2017
Discount rates	**4.80%**	7.30%	5.10%
Salary increase rates	**5.00%**	5.00%	5.00%

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2019,2018 and 2017 assuming if all other assumptions were held constant:

		Effect on defined benefit obligation		
		2019	2018	2017
Discount rates	+50 basis points	**(₱102,264)**	(₱70,075)	(₱90,308)
	-50 basis points	**109,452**	73,811	95,848
Future salary increases	+50 basis points	**₱71,365**	₱48,590	₱71,572
	-50 basis points	**(65,234)**	(45,440)	(67,039)

The average duration of the retirement benefit obligation as of December 31, 2019 and 2018 is 5 years.

Shown below is the maturity profile analysis of the undiscounted benefit payments:

	2019	2018	2017
More than 1 year to 5 years	**₱19,184,268**	₱13,593,520	₱12,808,743
More than 5 years to 10 years	**380,825**	1,005,504	542,288
More than 10 years to 15 years	**351,459**	343,315	363,441
More than 15 years to 20 years	**5,333,933**	4,631,708	–
	₱25,250, 485	₱19,574,047	₱13,714,472

15. **Income Taxes**

The Group's provision for current income tax in 2019, 2018 and 2017 are as follows:

	2019	2018	2017
Regular corporate income tax	**₱10,642,931**	₱3,618,264	₱10,788,556
Final tax on interest income	**3,712,380**	2,446,789	2,609,051
	₱14,355,311	₱6,065,053	₱13,397,607

The reconciliation of income tax computed at the statutory income tax rate to provision for income tax shown in profit or loss is as follows:

	2019	2018	2017
At statutory tax rate of 30%:	**₱13,123,005**	₱6,293,250	₱27,233,378
Additions to (reductions in) income tax resulting from:			
Interest income already subjected to final tax	**(5,107,159)**	(1,567,615)	(4,062,955)
Nondeductible expenses	**4,001,918**	2,888,469	896,174
Equity in net losses (earnings) of associates	**(1,603,222)**	4,191,661	(12,259,350)
Movement in unrecognized net deferred income tax asset	**–**	(3,789,070)	(318,599)
Nontaxable dividend income	**(320,582)**	(125,071)	(110,495)
	₱10,093,960	₱7,891,624	₱11,378,153

The Group's net deferred income taxes as of December 31, 2019 and 2018 are as follows:

	2019	2018
Recognized in profit or loss		
Deferred income tax assets on:		
Allowance for expected credit losses on receivables, due from related parties and financial assets at FVOCI	**₱7,613,930**	₱6,938,927
Retirement benefit obligation	**4,262,431**	3,715,408
Accrued rent	**152,533**	281,893
Deferred income tax liabilities on:		
Unrealized foreign exchange gains	**(2,898,673)**	(6,981,331)
Gains on fair value changes of foreign financial assets at FVTPL	**(4,463,955)**	(2,764,443)
	4,666,266	1,190,454
Recognized in OCI		
Deferred income tax assets on:		
Net unrealized valuation losses on financial assets at FVOCI	**4,529,487**	–
Actuarial losses on retirement benefit obligation	**1,309,981**	162,911
Deferred income tax liabilities on:		
Net unrealized valuation gains on financial assets at FVOCI	–	(6,083,740)
	5,839,468	(5,920,829)
Net deferred income tax assets (liabilities)	**₱10,505,734**	(₱4,730,375)

No deferred income tax assets were recognized for the following deductible temporary differences as it is not probable that sufficient taxable profits will be available to allow the benefit of the deferred income tax assets to be utilized:

	2019	2018
Allowance for impairment losses on due from related parties	**₱150,796,579**	₱150,796,579
Allowance for impairment losses on investment in an associate	**94,830,129**	94,830,129
Provision for legal obligation	**5,000,000**	5,000,000
	₱250,626,708	₱250,626,708

16. Equity

a. Common Stock

In accordance with Revised SRC Rule 68, below is a summary of the Group's track record of registration of securities.

	Number of shares registered	Issue/offer price	Date of approval
Common shares	1,000,000,000	₱0.01	December 8, 1982
Common shares	9,000,000,000	₱0.01	July 28, 1997

The details of the Group's capital stock (number of shares and amounts) are as follows:

Common stock - ₱1 par value	
Class A	
Authorized - 600 million shares	
Issued - 292,610,118 shares	**₱292,610,118**
Class B	
Authorized - 400 million shares	
Issued - 189,217,535 shares	**189,217,535**
	₱481,827,653

Class A and B common stockholders enjoy the same rights and privileges, except that Class A shares may be owned by, transferred to and subscribed only by Filipino citizens or corporations, partnerships and associations organized under the laws of the Philippines, of which 60% of the common stock outstanding is owned by citizens of the Philippines. Class B shares may be issued, transferred or sold to any person, corporation, partnership or association regardless of nationality.

In 1979, the registrant listed with the PSE (or its predecessor, Manila Stock Exchange) its common stock under its previous name, Ultrana Energy and Resource Corporation, where it offered 1,000,000,000 shares to the public at the issue price of ₱0.01 per share.

On July 28, 1997, the SEC approved the increase in the Group's authorized capital stock from 10,000,000,000, divided into 6,000,000,000 Class A common shares with par value of ₱0.01 per share and 4,000,000,000 Class B common shares with par value of ₱0.01 per share to 1,000,000,000 common shares, divided into 600,000,000 Class A common shares with par value of ₱1 per share and 400,000,000 Class B common shares with par value of ₱1 per share.

On November 26, 2000, the BOD approved the issuance, out of the authorized common stock, of 192,413,090 shares at ₱1 par value which will be offered through a pre-emptive stock rights issue and detachable stock warrants, as follows: (a) 96,206,545 shares consisting of 58,377,278 Class A shares and 37,829,267 Class B shares, to be offered in two tranches, the First Tranche consisting of 48,103,272 shares of stock and the Second Tranche consisting of 48,103,273 shares of stock, to which each stockholder may subscribe on a pre-emptive rights basis, and (b) the balance of 96,206,545 shares to be offered through detachable stock warrants, which shall entitle each stockholder to subscribe to one share of stock for every one share of stock of the same class that such stockholder subscribe to out of this stock rights issue.

The Group's application to list additional 192,413,090 common shares with a par value of ₱1 per share through pre-emptive rights issue and detachable subscription warrants was approved by the PSE on February 27, 2002 and by the SEC on April 5, 2002.

The exercise periods and expiration dates of the Group's subscription warrants are as follows:

	Number of Shares	Exercise Periods	Expiration Dates
First Tranche:			
Class A common shares	29,188,639	June 4, 2002 to	
Class B common shares	18,914,633	June 3, 2007	June 3, 2007
	48,103,272		
Second Tranche:			
Class A common shares	29,188,639	May 9, 2003 to	
Class B common shares	18,914,634	May 8, 2008	May 8, 2008
	48,103,273		
	96,206,545		

Full payment of each subscription under the First Tranche was made within the offer period approved by the PSE and the SEC, and the full payment of each subscription under the second tranche shall be due and payable one year from the last day of the offer period. With the full subscription of the Pre-Emptive Rights Stock Offering, the Group's outstanding common stock increased to 481,032,728 common shares of stock, consisting of 291,886,391 Class A common shares and 189,146,337 Class B common shares, all with par value of ₱1 per share.

With the complete exercise of all Detachable Stock Warrants, the Group will have an outstanding common stock of 577,239,273 shares, consisting of 350,263,669 Class A common shares and 226,975,604 Class B common shares, all with par value of ₱1 per share. However, as of December 31, 2007, 723,727 Class A common stock warrants and 71,198 Class B common stock warrants were exercised and 28,464,912 Class A common stock warrants and 18,843,435 Class B common stock warrants expired. As of December 31, 2008, 29,188,639 Class A common stock warrants and 18,914,634 Class B common stock warrants expired due to non-exercise of stock warrants before expiration date. After the expiration of the said warrants, the Group's outstanding common stock amounted to ₱481,827,653 with additional paid-in capital of ₱144,759,977. There have been no movements since 2008.

The Parent Company has 480 and 477 stockholders as of December 31, 2019 and 2018, respectively.

b. Treasury Shares

The Group's treasury shares pertains to shares of the Parent Company acquired or held by its subsidiaries. For consolidation purposes, the costs of these shares are presented under the "Treasury shares" account in the equity section of the consolidated statements of financial position.

In 2018, PIEI purchased 168,000 additional shares of the Parent Company with a total cost of ₱0.8 million. These are composed of 126,000 Class A shares and 42,000 Class B shares, costing ₱0.6 million and ₱0.2 million, respectively.

In 2019, PIEI purchased 45,000 Class A shares additional shares of the Parent Company with a total cost of ₱0.2 million.

As of December 31, 2019 and 2018, the Group's treasury shares are as follows:

	Shares		Amount	
	2019	2018	**2019**	2018
Balance at beginning of year	**98,042,387**	97,874,387	**₱101,777,276**	₱100,946,956
Additions	**45,000**	168,000	**192,050**	830,320
Balance at end of year	**98,087,387**	98,042,387	**₱101,969,326**	₱101,777,276

c. Retained Earnings

Retained earnings is restricted to the extent of the acquisition price of the treasury shares amounting to ₱102.0 million and ₱101.8 million as of December 31, 2019 and 2018, respectively. The balance of retained earnings includes the accumulated equity in net earnings of the subsidiaries and associates amounting to ₱1,033.2 million and ₱1,005.5 million as at December 31, 2019 and 2018, respectively. Such amounts are not available for distribution until such time that the Parent Company receives the dividends from the subsidiaries and associates. The balance of retained earnings also includes net cumulative unrealized gains on financial assets at FVTPL amounting to ₱55.1 million and ₱29.8 million as at December 31, 2019 and 2018, respectively.

Following are the dividends declared and paid by the Parent Company in 2019, 2018 and 2017:

2019

Declaration date	**Record date**	**Payment date**	**Description**	**Dividend per share**	**Total amount**
July 16, 2019	**Sept. 23, 2019**	**Oct. 14, 2019**	**Regular**	**₱0.10**	**₱48,182,765**
July 16, 2019	**Oct. 23, 2019**	**Nov. 14, 2019**	**Regular**	**0.10**	**48,182,766**
					₱96,365,531

2018

Declaration date	Record date	Payment date	Description	Dividend per share	Total amount
July 26, 2018	Aug. 15, 2018	Sept. 5, 2018	Regular	₱0.10	₱48,182,765
July 26, 2018	Sept.14, 2018	Oct. 5, 2018	Regular	0.10	48,182,766
					₱96,365,531

2017

Declaration date	Record date	Payment date	Description	Dividend per share	Total amount
July 31, 2017	Aug. 22, 2017	Sept. 15, 2017	Regular	₱0.10	₱48,182,765
July 31, 2017	Sept.21, 2017	Oct. 17, 2017	Regular	0.10	48,182,766
					₱96,365,531

The dividends attributable to treasury shares amounted to ₱19.6 million in 2019, 2018 and 2017.

17. Related Party Transactions

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

The Group, through its BOD, recognizes that transactions between and among related parties creates strategic financial commercial, and economic benefits to the Group and its stakeholders. In this regard, related party transactions and generally allowed provided that when related party transactions amount to ten percent (10%) or higher of the Group's total consolidated assets, it shall be considered as Material Related Party Transactions and shall be subject to arms-length principle and BOD approval as herein provided.

A summary of outstanding balances and transactions with related parties, net of allowance for impairment loss and presented under "Due from related parties" account, are as follows:

		Transactions during the year	Outstanding balances	Terms	Conditions
Associates:					
BPO					
Rent income	**2019**	**₱1,406,805**	**₱150,163**	On demand; noninterest-bearing	Unsecured; Unimpaired
	2018	1,385,721	143,886		
Payroll services expense	**2019**	**112,847**	–	On demand; noninterest-bearing	Unsecured; Unimpaired
	2018	123,543	–		
Dividends	**2019**	**13,999,897**	**16,885,116**	On demand; noninterest-bearing	Unsecured; Unimpaired
	2018	12,250,000	15,749,974		
PTC					
Dividends (see Note 9)	**2019**	**15,712,703**	–	On demand; noninterest-bearing	Unsecured; Unimpaired
	2018	32,496,750	–		
MUDC					
Advances	**2019**	**55,046**	**55,046**	On demand; noninterest-bearing	Unsecured; Unimpaired
	2018	(1,956,805)	–		
Under common control					
Other related parties					
Advances	**2019**	**25,860**	**320,586**	On demand; noninterest-bearing	Unsecured; Unimpaired
	2018	7,310	360,406		
	2019		**₱17,410,911**		
	2018		₱16,254,266		

The related party transactions are settled in cash.

Movement in the expected credit losses on due from related parties are as follows:

	2019	2018
Receivables from related party	**₱189,185,737**	₱189,164,234
Dividends receivable	**16,885,116**	15,749,974
	206,070,853	204,914,208
Allowance for:		
Expected credit losses	**188,659,942**	188,797,524
Recovery of allowance for impairment losses	**–**	(137,582)
	188,659,942	188,659,942
	₱17,410,911	₱16,254,266

Allowance for impairment loss is mainly attributable to advances to MUDC, among others.

Compensation of the key management personnel are as follows:

	2019	2018	2017
Salaries and wages	**₱8,493,141**	₱8,493,141	₱7,721,038
Other benefits	**1,415,524**	1,466,732	1,326,840
	₱9,908,665	₱9,959,873	₱9,047,878

18. Earnings per Share

The following table presents information necessary to compute the basic/dilutive EPS:

	2019	2018	2017
Net income attributable to equity holders of the parent	**₱32,205,281**	₱12,088,289	₱77,729,401
Weighted average number of ordinary shares outstanding for basic and diluted EPS	**383,959,910**	384,033,808	384,060,813
Basic and diluted earnings per share	**₱0.08**	₱0.03	₱0.20

The Group has no potential dilutive instruments issued as of December 31, 2019, 2018 and 2017.

19. Segment Information

The primary purpose of the Group is to invest in real and personal properties. The Group operates mainly in one reportable business segment which is investing and one reportable geographical segment which is the Philippines.

20. Commitments and Contingencies

a. The Group leases a portion of its condominium spaces. The Group recognized rental income amounting to ₱25.1 million, ₱23.2 million, and ₱20.8 million, in 2019, 2018 and 2017, respectively. Future minimum rental income of ₱25.7 million from existing rental agreements will be recognized in 2020 and 2021. The lease agreements between the Parent Company and its lessees have terms of one to five years and can be renewed upon the written agreement of the

Parent Company and the lessees. Deposits made by the tenants amounting to ₱9.8 million and ₱7.2 million as of December 31, 2019 and 2018, respectively, will be returned to the lessees after the lease term.

b. As of December 31, 2019 and 2018, the Group has a provision for legal obligation amounting to ₱5.0 million, for claim arising from lawsuit filed by a third party, which is awaiting decision by the courts. Probable cost has been estimated in consultation with the Parent Company's legal counsel. In 2019, cash amounting to ₱26.3 million has been restricted and recorded as part of "Other noncurrent assets" in relation to the Company's ongoing legal proceeding. Management and its legal counsels believe that the Parent Company has substantial legal and factual bases for its position and is of the opinion that losses arising from these legal actions, if any, will not have material adverse impact on the Parent Company's financial position and results of operations.

21. Financial Risk Management Objectives and Policies

Risk Management Structure

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

Financial Risk Management Objectives and Policies

The principal financial instruments of the Group consist of cash and cash equivalents and investments in equity and debt securities. The main purpose of these financial instruments is to place excess cash in income-earning investments. The Group has various other financial assets and liabilities such as receivables, due from related parties, accounts payable and accrued expenses and dividends payable which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk (i.e., interest rate risk, foreign currency risk and equity price risk). The Group's management reviews and approves policies for managing each of these risks and they are summarized below. The Group also monitors the market price risk arising from all financial instruments.

The magnitudes of these risks that have arisen over the year are discussed below.

Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation.

The Group is exposed to credit risk primarily because of its investing and operating activities. The Group is exposed to credit risk arising from the counterparties (i.e., foreign currency denominated debt instruments, short-term investments, fixed income deposit and receivables) to its financial assets.

Credit risk management

In managing credit risk on these investments, capital preservation is paramount. The Group trades only with recognized and creditworthy third parties. For investments in bonds, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investments in equity securities represent investments in companies with good dividend track record, as well as capital appreciation. The investment portfolio mix between debt and equity is reviewed regularly by the Group's President and Treasurer.

With respect to credit risk arising from other financial assets of the Group, which consist of cash and cash equivalents, receivables and due from related parties, the Group's President and Treasurer monitor these financial assets on an ongoing basis with the result that the Group's exposure to impairment losses is not significant.

Credit risk exposures
At reporting date, the Group's maximum exposure to credit risk is equal to the carrying amount of cash and cash equivalents, receivables, due from related parties, and FVOCI financial assets recognized in the consolidated statements of financial position. The Group's financial assets are not covered by collateral from counterparties.

Credit risk concentration profile
The Group has no significant concentrations of credit risk.

Credit quality
As of December 31, 2019 and 2018, the credit qualities per class of financial assets are as follows:

	Neither past due nor impaired		Past due but not impaired	Individually impaired	2019 Total
	High Grade	Standard Grade			
Financial assets at amortized cost:					
Cash and cash equivalents*	**₱582,240,670**	**₱–**	**₱–**	**₱–**	**₱582,240,670**
Receivables	**5,906,570**	**–**	**–**	**961,368**	**6,867,938**
Due from related parties	**17,410,911**	**–**	**–**	**188,659,942**	**206,070,853**
Financial assets at FVOCI	**297,385,177**	**–**	**–**	**3,127,676**	**300,512,853**
	₱902,943,328	**₱–**	**₱–**	**₱192,748,986**	**₱1,095,692,314**

**Excluding cash on hand*

	Neither past due nor impaired		Past due but not impaired	Individually impaired	2018 Total
	High Grade	Standard Grade			
Financial assets at amortized cost:					
Cash and cash equivalents*	₱571,361,707	₱–	₱–	₱–	₱571,361,707
Receivables	7,282,381	–	–	961,368	8,243,749
Due from related parties	16,254,266	–	–	188,659,942	204,914,208
Financial assets at FVOCI	427,903,928	–	–	3,127,676	431,031,604
	₱1,022,802,282	₱–	₱–	₱192,748,986	₱1,215,551,268

**Excluding cash on hand*

High grade financial assets
High grade receivables pertain to due from related parties and customers with good payment history. These receivables are considered to be of good quality and expected to be collectible without incurring any credit losses. Other high grade financial assets reflect the investment grade quality of the investments and/or counterparty and realizability is thus assured.

Standard grade financial assets
Receivables from customers who settle their obligations with tolerable delays are classified under standard grade. Other standard grade financial assets are considered moderately realizable. There are no standard grade financial assets as of December 31, 2019 and 2018.

Impairment assessment
The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are nonmoving accounts receivable, accounts of defaulted companies and accounts from closed companies.

In 2019 and 2018, the Group applies a general approach in calculating ECL. The Group tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECL at each reporting date.

The Group has the following financial assets that are subject to the expected credit loss model:

- *Cash and Cash equivalents.* As of December 31, 2019 and 2018, the ECL relating to the cash and cash equivalents of the Group is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.

- *Receivables.* As of December 31, 2019 and 2018, the ECL relating to receivables of the Group is minimal as these mainly pertain to interest and dividends receivables and have low credit risk.

- *Due from Related Parties.* The ECL for amounts due from related parties as of December 31, 2019 and 2018 pertain to the accounts of defaulted companies and accounts from closed companies.

- *Debt Instruments measured at Fair Value through Other Comprehensive Income.* The Group recognized allowance relating to one debt instrument due to the sudden drop of its fair value in 2015. No other impairment loss was recognized. The probability of default and loss given default of each debt instrument were obtained from Bloomberg.

The table below shows the financial assets per stage of allocation and by credit risk rating grades as at December 31, 2019:

	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**2019 Total**
High grade	**₱818,161,819**	**₱63,603,920**	**₱–**	**₱881,765,739**
Standard grade	–	–	–	–
Default	–	–	**151,944,851**	**151,944,851**
Gross carrying amount	**818,161,819**	**63,603,920**	**151,944,851**	**1,033,710,590**
Loss allowance	**(3,443,524)**	**(40,286,439)**	**(151,362,549)**	**(195,092,512)**
Carrying amount	**₱814,718,295**	**₱23,317,481**	**₱582,302**	**₱838,618,078**

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	2018 Total
High grade	₱832,215,144	₱63,823,086	₱–	₱896,038,230
Standard grade	–	–	–	–
Default	–	–	152,834,789	152,834,789
Gross carrying amount	832,215,144	63,823,086	152,834,789	1,048,873,019
Loss allowance	(2,769,111)	(40,286,439)	(151,362,549)	(194,418,099)
Carrying amount	₱829,446,033	₱23,536,647	₱1,472,240	₱854,454,920

Liquidity Risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due and this is done by primarily investing in highly liquid investments and maintaining a significant amount of cash and cash equivalents and pre-terminable investments in its portfolio.

The following table summarizes the maturity profile of the Group's financial liabilities as of December 31, 2019 and 2018 based on contractual undiscounted cash flows. The table also analyzes the maturity profile of the Group's financial assets in order to provide a complete view of the Group's contractual commitments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates.

	On demand	Within 1 year	More than 1 year	2019 Total
Financial Assets:				
Loans and receivables				
Cash and cash equivalents	**₱34,519,227**	**₱547,733,443**	**₱–**	**₱582,240,670**
Receivables	**–**	**5,906,570**	**–**	**5,906,570**
Due from related parties	**–**	**17,410,911**	**–**	**17,410,911**
Financial assets at FVTPL	**248,646,828**	**–**	**–**	**248,646,828**
Financial assets at FVOCI	**–**	**582,302**	**299,930,551**	**300,512,853**
Total financial assets	**283,166,055**	**571,633,226**	**299,930,551**	**1,154,729,832**
Financial Liabilities:				
Accounts payable and accrued expenses*	**–**	**9,049,376**	**–**	**9,049,376**
Dividends payable	**–**	**6,235,209**	**–**	**6,235,209**
Total financial liabilities	**–**	**15,284,585**	**–**	**15,284,585**
Net financial assets	**₱283,166,055**	**₱556,348,641**	**₱299,930,551**	**₱1,139,445,247**

**Excluding statutory payables*

	On demand	Within 1 year	More than 1 year	2018 Total
Financial Assets:				
Loans and receivables				
Cash and cash equivalents	₱57,082,264	₱514,288,762	₱–	₱571,371,026
Receivables	–	7,282,381	–	7,282,381
Due from related parties	–	16,254,266	–	16,254,266
Financial assets at FVTPL	204,738,312	–	–	204,738,312
Financial assets at FVOCI	–	6,945,819	424,085,785	431,031,604
Total financial assets	261,820,576	544,771,228	424,085,785	1,230,677,589
Financial Liabilities:				
Accounts payable and accrued expenses*	–	6,934,945	–	6,934,945
Dividends payable	–	5,139,021	–	5,139,021
Total financial liabilities	–	12,073,966	–	12,073,966
Net financial assets	₱261,820,576	₱532,697,262	₱424,085,785	₱1,218,603,623

**Excluding statutory payables*

Market Risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Group's activities expose it primarily to the financial risks of changes in interest rates, foreign currency exchange rates and equity prices. There has been no change in the Group's exposure to market risks or the manner in which it manages and measures the risk.

a. Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group derives majority of its revenue from interest-bearing placements and bonds. Accordingly, the Group is subject to financial risk arising from changes in interest rates. The Group manages interest rate risk by investing mainly on fixed coupon bonds and other investments. By doing so, the Group is assured of future interest revenues from such investments.

Since the Group invests on fixed coupon interest bonds and other investments, the Group is not exposed significantly to cash flow interest rate risk.

The following table demonstrates management's best estimate of the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's income before income tax due to changes in fair values of FVOCI financial assets in debt securities (see Note 10):

	2019	2018
Change in interest rate (percentage)		
+10%	**₱23,592,115**	₱26,085,344
-10%	**(23,592,115)**	(26,085,344)

There is no other impact on equity other than those already affecting the income before income tax in profit or loss.

b. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in foreign currencies.

In the normal course of business, the Group enters into transactions denominated in US dollar and other foreign currencies. As a result, the Group is subjeet to transaction and translation exposures resulting from currency exchange rate fluctuations. The Group regularly monitors outstanding financial assets and liabilities in foreign currencies and maintains them at a level responsive to the current exchange rates so as to minimize the risks related to these foreign-currency-denominated assets.

Information on the Group's foreign-currency-denominated monetary assets and their Philippine peso equivalent as of December 31 are as follows:

		2019			2018		
	Currency	**Exchange Rate**	**Original Currency**	**Peso Equivalent**	Exchange Rate	Original Currency	Peso Equivalent
Cash	USD	**₱50.64**	**7,926,013**	**₱401,373,298**	₱52.58	6,854,661	₱360,418,090
	EUR	**56.35**	**560**	**31,556**	60.31	560	33,774
	HKD	**6.52**	**59,919**	**390,672**	6.7344	5,184	34,911
	SGD	**56.35**	–	–	38.4706	2,234,821	85,974,921
	JPY	**0.46**	**44,714**	**20,568**			
Receivables	USD	**50.64**	**90,702**	**4,593,149**	52.58	62,472	3,284,780
	SGD	**37.49**	–	–	38.4706	608,701	23,417,088
Financial assets at FVTPL	USD	**50.64**	**2,848,486**	**144,247,331**	52.58	2,507,863	131,863,453
	HKD	**6.52**	**3,231,830**	**21,071,532**	6.7344	5,564,312	37,472,303
	EUR	**56.35**	**253,747**	**14,298,643**	60.3110	199,190	12,013,351
	CNY	**7.25**	**309,580**	**2,244,455**	7.6773	293,020	2,249,602
	SGD	**37.49**	**168,500**	**6,317,065**	38.4706	146,500	5,635,943
	JPY	**0.46**	**11,414,400**	**5,250,624**	0.445	8,766,000	3,900,870
Financial assets at FVOCI	USD	**50.64**	**4,840,069**	**245,101,094**	52.58	4,807,350	281,326,122
	NTD	**1.69**	**19,710,443**	**33,310,649**	1.7137	61,443,047	105,294,950
	HKD	**6.52**	**2,678,886**	**17,466,337**	6.7344	353,884	2,383,193

The Group has no foreign-currency-denominated monetary liabilities as of December 31, 2019 and 2018.

The following table demonstrates the sensitivity to a reasonable possible change in the foreign currencies exchange rates based on past foreign currencies exchange rates and macroeconomic forecasts for 2019, with all other variables held constant, of the Group's 2019 and 2018 income before income tax.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for the following percentage change in foreign currency rates:

2019

		Effect on income before tax	
Original Currency	**Percentage**	**Strengthened**	**Weakened**
US dollar	5%	**₱39,761,818**	**(₱39,761,818)**
Hong Kong dollar (HKD)	5%	**1,945,293**	**(1,945,293)**
Taiwan dollar	5%	**1,662,083**	**(1,662,083)**
E.M.U. euro (EUR)	5%	**716,525**	**(716,525)**
Singapore Dollar	5%	**315,861**	**(315,861)**
Chinese Yuan	5%	**112,241**	**(112,241)**
Japanese Yen	5%	**265,221**	**(265,221)**

2018

Original Currency	Percentage	Effect on income before tax Strengthened	Weakened
US dollar	5%	₱37,910,097	(₱37,910,097)
Hong Kong dollar (HKD)	5%	1,994,520	(1,994,520)
Taiwan dollar	5%	5,264,747	(5,264,747)
E.M.U. euro (EUR)	5%	602,356	(602,356)
Singapore Dollar	5%	281,797	(281,797)
Chinese Yuan	5%	112,480	(112,480)
Japanese Yen	5%	195,044	(195,044)

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

c. Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Group's financial assets at FVTPL and investments in AFS equity securities. For investments in Philippine equities, majority of funds are invested in equities listed in the PSE.

The Group measures the sensitivity of its equity securities by using PSE, NYSE and HKEx indices fluctuations and its effect to respective share prices.

The following table demonstrates the sensitivity to a reasonably possible change in the equity price based on past price performance and macroeconomic forecast for 2019 and 2018, with all other variables held constant, of the Group's income before income tax and equity:

Effect on income before income tax:

	2019	2018
Financial assets at FVTPL:		
Change in stock market index (%)		
+10%	**₱24,864,683**	₱20,473,831
–10%	**(24,864,683)**	(20,473,831)

There is no other impact on the Group's equity other than those already affecting the income before income tax.

Effect on equity:

	2019	2018
Investment in equity securities (financial assets at FVOCI):		
Change in club share prices (%)		
+10%	**₱9,699,262**	₱17,017,817
–10%	**(9,699,262)**	(17,017,817)

22. Fair Value of Financial Instruments

The Group has determined that the carrying amounts of cash and cash equivalents, receivables, due from related parties, accounts payable and accrued expenses and dividends payable, based on their notional amounts, reasonably approximate their fair values because these are short-term in nature.

Fair values of financial assets at FVTPL and quoted financial assets at FVOCI are based on price quotations as at December 31, 2019 and 2018.

The following tables show the Group's fair value measurement hierarchy of its financial assets at FVTPL and FVOCI.

	2019				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Financial assets at FVTPL	**₱248,646,828**	**₱248,646,828**	**₱–**	**₱–**	**₱248,646,828**
Financial assets at FVOCI					
Quoted debt securities	**235,921,149**	**235,921,149**	**–**	**–**	**235,921,149**
Quoted equity securities	**58,075,827**	**58,075,827**	**–**	**–**	**58,075,827**
Unquoted equity securities	**6,515,877**	**-**	**6,515,877**	**–**	**6,515,877**
	₱549,159,681	**₱542,643,804**	**₱6,515,877**	**₱–**	**₱549,159,681**

	2018				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Financial assets at FVTPL	₱204,738,312	₱204,738,312	₱–	₱–	₱204,738,312
Financial assets at FVOCI					
Quoted debt securities	260,853,437	260,853,437	–	–	260,853,437
Quoted equity securities	132,605,290	132,605,290	–	–	132,605,290
Unquoted equity securities	37,572,877	–	–	–	36,413,677
	₱635,769,916	₱599,356,239	₱36,413,677	₱–	₱635,769,916

As of December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements. Also, there were no transfers into and out of Level 3 fair value measurements.

23. Capital Management

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

The Group manages its capital structure, which pertains to its equity, and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.
The total core capital considered by the Group as of December 31, 2019 and 2018 are as follows:

	2019	2018
Common stock	**₱481,827,653**	₱481,827,653
Additional paid-in capital	**144,759,977**	144,759,977
Retained earnings	**1,185,978,067**	1,230,524,692
Treasury shares	**(101,969,326)**	(101,777,276)
Total core capital	**₱1,710,596,371**	₱1,755,335,046

24. Changes in Liabilities Arising from Financing Activities

The following shows the changes in the Group's liabilities arising from its financing activities in 2019 and 2018:

	As at January 1, 2019	**Cash flows**	**Dividend declaration**	**As at December 31, 2019**
Dividends payable	**₱5,139,021**	**(₱75,655,718)**	**₱76,751,906**	**₱6,235,209**

	As at January 1, 2018	Cash flows	Dividend declaration	As at December 31, 2018
Dividends payable	₱6,636,554	(₱78,050,892)	₱76,553,359	₱5,139,021

25. Events After the Reporting Date

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020. National Capital Region (NCR) and other high-risk areas were under modified ECQ until May 31, 2020. Starting June 1, 2020 until June 15, 2020, Metro Manila and certain places in the Philippines were placed under general community quarantine. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. The Group have not seen any significant impact to its operation resulting from the outbreak as of the date of this report, but considering the evolving nature of this outbreak, the Group will continue to monitor the situation to determine the possible impact to its financial position, performance and cash flows in the future.

SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders
F & J Prince Holdings Corporation
5th Floor, Citibank Center
8741 Paseo de Roxas
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of F & J Prince Holdings Corporation (the Parent Company) and its subsidiaries as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, included in this Form 17-A, and have issued our report thereon dated June 15, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Leovina Mae V. Chu

Leovina Mae V. Chu
Partner
CPA Certificate No. 99910
SEC Accreditation No. 1712-A (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 209-316-911
BIR Accreditation No. 08-001998-96-2018,
February 2, 2018, valid until February 1, 2021
PTR No. 8125319, January 7, 2020, Makati City

June 15, 2020

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2019

Schedule A. Financial Assets

Financial Assets at FVTPL

Name of issuing entity and association of each issue	Number of shares held or principal amount of bonds and notes	Amount shown in the statement of financial position*	Income received and accrued
Nickel	13,008,788	₱14,796,853	₱–
Berkshire Hathaway Inc -	3,250	37,273,689	–
Goldman Sachs Group Inc	1,045	12,166,418	161,636
HSBC Holdings	1,786	3,535,069	235,078
Dongfeng Motor Group Corporation Ltd.	50,000	2,388,187	116,969
SANOFI	1,000	5,050,195	125,857
Industrial and Commercial Bank of China	180,000	7,037,496	301,919
CTRIP.COM International Ltd.	5,110	8,678,302	–
China Mobile Limited	10,000	4,268,111	173,804
ANHEUSER-BUSCH INBEV SA/NV	1,000	4,097,296	72,360
CitiGroup Inc.	1,820	7,362,319	136,080
Wells Fargo & Co.	2,000	5,448,326	148,908
Amazon.com Inc.	200	18,713,076	–
China Construction Bank	162,000	7,104,352	331,844
Kion Group AG	1,485	5,151,435	76,838
Bank of China Ltd.	105,000	2,108,908	132,571
The TJX Companies Inc.	2,668	8,248,851	–
Softbank Group Corporation	2,400	5,283,726	31,626
General Motors Co.	3,199	5,928,518	91,714
International Business Machines Corporation (IBM)	600	4,072,269	–
Microsoft Corporation	816	6,515,874	61,090
Singapore Telecommunications Limited	50,000	6,317,217	332,590
Amazon.com Inc. Registered SHS	150	14,034,807	–
Facebook Inc. Registered SHS	1,000	10,392,834	–
PEPSICO Inc. Cap.	465	3,217,933	68,439
Cheung Kong Property Holdings	20,520	6,443,810	266,377
San Miguel Corporation "B"	12,464	2,032,878	2,050
San Miguel Corporation "A"	12,240	1,996,344	10,863
Ayala Corporation	4,078	3,203,269	16,924
Ayala Land	144,000	6,552,000	37,440
Meralco	10,754	3,372,454	66,705
Oriental Petroleum B	1,260,888,642	13,869,775	630,444
Philex Mining - A	335,323	942,258	–
Philex Petroleum	41,915	359,631	–
ABS - CBN Broadcasting	12,000	189,120	6,600
Aboitiz Equity	3,120	160,524	4,118
Petron Corporation	30,939	119,425	3,094
Others		213,279	
Total		₱248,646,828	₱3,643,938

Financial Assets at FVOCI

Name of issuing entity and association of each issue	Number of shares held or principal amount of bonds and notes	Amount shown in the statement of financial position*	Income received and accrued
Venezuela GLB	100,000	₱582,302	₱26,501
Country Gardens	1,020,000	32,904,778	2,258,362
Petrobas GBL	540,000	27,262,502	1,553,390
Eletrobras	200,000	9,601,708	590,682
Turkceli	250,000	11,740,431	737,614
Republic of Portugal	200,000	10,291,478	–
Petroleos Mexicanos	200,000	9,572,337	469,697
Theta Capital PTE	975,000	40,159,138	3,383,764
ABJA Investment	400,000	18,741,708	1,210,755
CEMEX Finance	128,000	6,047,857	566,023
Orazul Energy	200,000	9,441,450	577,840
VM Holdings	200,000	9,799,690	548,696
Greenko Investment	400,000	17,425,637	886,703
NBM US Holdings	200,000	9,924,335	–
Cheung Kong Property Holdings	20,520	6,816,929	–
Hutchison Holdings Ltd	20,520	9,004,406	–
Toyota Motor Corp	1,290	8,320,223	–
Tagaytay Midlands	1	851,966	–
Balesin Island	1	5,891,255	–
Aslan Pharmaceuticals	2,433,388	30,128,480	–
RP Bonds	8,000,000	9,825,544	262,889
MRFGC	100,000	4,962,167	370,035
Calata Corporation	560,000	1,159,200	–
Ayala Land Inc.	144,00	9,767	–
Ayala Corporation	2,110	2,110	–
PLDT	400	4,000	–
Others		10,041,455	
Total		₱300,512,853	₱13,442,951

**Amounts are based on the fair value of the instrument as of the reporting period.*

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2019

Schedule B. Amounts Receivable from Directors, Officers, Employees, and Principal Stockholders (Other than Related Parties)

Name and designation of debtor	Beginning balances	Additions	Amounts collected	Amounts written off	Current	Not current	Ending balances
Advances to Officers and Employees	₱50,862	₱36,000	₱23,100	₱–	₱63,762	₱–	₱63,762

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2019

Schedule C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements

Name and designation of debtor	Beginning balances	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
MCHC	₱8,599,095	₱14,155,343	₱8,599,095	₱–	₱14,155,343	₱–	₱14,155,343

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2019

Schedule D. Long-term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption 'Current position of long term debt' in related statement of financial position	Amount shown under caption 'Long Term Debt' in related statement of financial position
		- Not applicable -	

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2019

Schedule D. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
	- Not applicable -	

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2019

Schedule E. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the Group for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by a person for which statement is filed	Nature of guarantee
		- Not applicable -		

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2019

Schedule F. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by Related Parties	Directors, Officers and Employees	Others
Class "A"	600,000,000	292,610,118	–	56,915,136	40,295,895	–
Class "B"	400,000,000	189,217,535	–	37,496,379	180,392	–

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES

SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

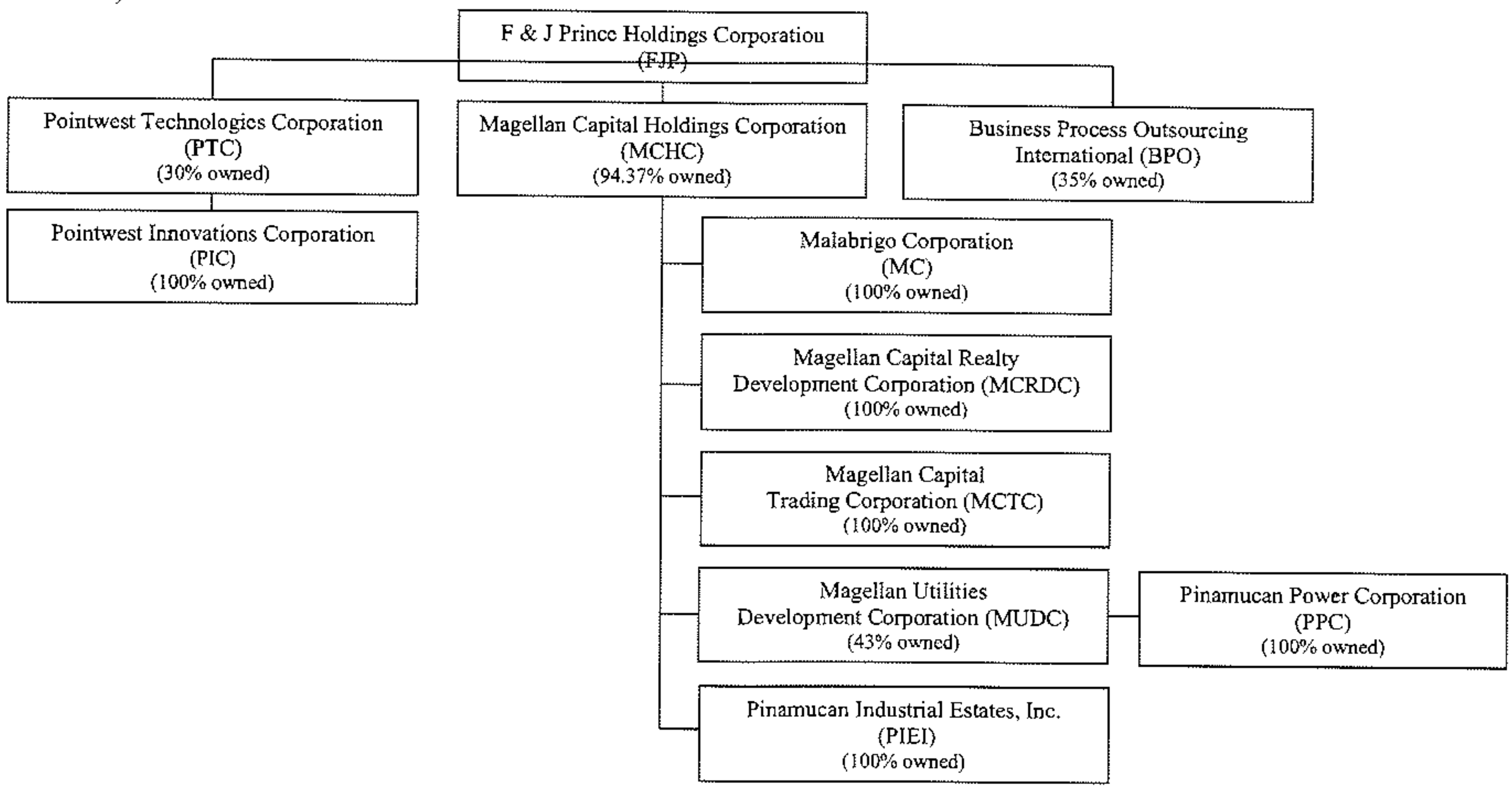
December 31, 2019

Unappropriated retained earnings, beginning		₱251,207,084
Net income during the year closed to retained earnings	₱43,291,061	
Less: *Non-actual/unrealized income net of tax*		
Unrealized foreign exchange gain (loss) - net of tax	(5,590,408)	
Unrealized fair value gain (loss) on financial assets at FVTPL	(380,187)	
Benefit from deferred taxes	(3,868,581)	
Actual/realized net income	53,130,236	
Less: Dividend declaration	96,365,531	43,235,294
Unappropriated retained earnings, as adjusted, ending		207,971,790
Less capital stock		626,587,630
Excess of capital stock over unappropriated retained earnings		(₱418,615,840)

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES

CONGLOMERATE MAP

December 31, 2019



F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATOR

Deeember 31, 2019

	2019	2018
LIQUIDITY ANALYSIS RATIO:		
Current assets (a)	**₱888,103,083**	₱840,244,025
Current liabilities (b)	**30,593,230**	20,126,534
Current Ratio (a/b)	**29.03**	41.75
Current assets less prepayments and other current assets (c)	**₱854,799,281**	₱806,591,804
Current liabilities (b)	**30,593,230**	20,126,534
Quick Ratio (c/b)	**27.94**	40.08
Total assets (d)	**₱1,903,850,010**	₱1,957,361,337
Total liabilities (e)	**51,664,606**	39,811,989
Solvency Ratio (d/e)	**36.85**	49.17
FINANCIAL LEVERAGE RATIO:		
Total liabilities (e)	**₱51,664,606**	₱39,811,989
Total assets (d)	**1,903,850,010**	1,957,361,337
Debt Ratio (e/d)	**0.03**	0.02
Total liabilities (e)	**₱51,664,606**	₱39,811,989
Total equity (f)	**1,852,185,404**	1,917,549,348
Debt-to-Equity Ratio (e/f)	**0.03**	0.02
Interest Coverage	**N/A**	N/A
Total assets (d)	**₱1,903,850,010**	₱1,957,361,337
Total equity (f)	**1,852,185,404**	1,917,549,348
Asset to Equity Ratio (d/f)	**1.03**	1.02
PROFITABILITY RATIO:		
Gross Profit Margin		N/A
Net income (g)	**₱33,649,391**	₱13,085,877
Revenues and income (h)	**103,300,970**	78,334,312
Net Profit Margin (g/h)	**0.33**	0.17
Net income (g)	**₱33,649,391**	₱13,085,877
Total assets (d)	**1,903,850,010**	1,957,361,337
Return on Assets (g/d)	**0.02**	0.01
Net income (g)	**₱33,649,391**	₱13,085,877
Total equity (f)	**1,852,185,404**	1,917,549,348
Return on Equity (g/f)	**0.02**	0.01
Current share price (i)	**₱4.20**	₱4.62
Earnings per share (j)	**0.03**	0.03
Price/Earnings Ratio (i/j)	**133.40**	146.77

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2019 AND DECEMBER 31, 2018
WITH VERTICAL PERCENTAGE ANALYSIS

EXHIBIT "4"

	AUDITED DEC. 31,2019	VERTICAL PERCENTAGE ANALYSIS DEC. 31,2019	AUDITED DEC. 31,2018	VERTICAL PERCENTAGE ANALYSIS DEC. 31, 2018
ASSETS				
Current Assets				
Cash and cash equivalents	582,252,670	30.59%	571,371,026	29.19%
Financial assets at fair value thru profit or loss	248,646,828	13.07%	205,897,512	10.52%
Due from related parties	17,410,911	0.91%	16,254,266	0.83%
Receivables-net	5,906,570	0.31%	7,282,381	0.37%
Current portion of available for sale (AFS) investments	-	0.00%	-	0.00%
Current portion of financial assets through FVOCI	582,302	0.03%	6,945,819	0.35%
Prepayment and other current assets	33,303,802	1.75%	33,652,221	1.72%
Total Current Assets	**888,103,083**	**46.66%**	**841,403,225**	**43.00%**
Noncurrent Assets				
Receivables from related parties-net	-	0.00%	-	0.00%
Investments in associates	277,599,655	14.58%	283,463,312	14.47%
Financial assets at FVOCI -net of current portion	299,930,551	15.75%	422,926,585	0
Available-for-sale (AFS) investments-net of current portion	-	0.00%	-	0.00%
Property and Equipment-net	7,283,121	0.38%	8,927,081	0.46%
Investment properties	391,291,609	20.55%	399,897,554	20.42%
Deferred income tax asset	10,505,734	0.55%	-	-
Other Noncurrent Assets	29,136,257	1.53%	743,580	0.04%
Total Non-Current Assets	**1,015,746,927**	**53.34%**	**1,115,958,112**	**57.00%**
TOTAL ASSETS	**1,903,850,010**	**100.00%**	**1,957,361,337**	**100.00%**

	AUDITED DEC. 31,2019	VERTICAL PERCENTAGE ANALYSIS DEC. 31,2019	AUDITED DEC. 31,2018	VERTICAL PERCENTAGE ANALYSIS DEC. 31, 2018
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liabilities				
Accounts Payable and accrued expenses	10,339,260	0.54%	10,112,238	0.52%
Dividends payable	6,235,209	0.33%	5,139,021	0.26%
Income Tax Payable	9,018,761	0.47%	1,902,626	0.10%
Provision for legal obligation	5,000,000	0.26%	5,000,000	0.26%
Total Current Liabilities	**30,593,230**	**1.60%**	**22,153,885**	**1.13%**
Non-Current Liabilities				
Deferred income tax liabilities-net	-	0.00%	4,730,375	0.24%
Deposits payable	2,726,766	0.14%	-	-
Retirement benefit obligation	18,344,610	0.97%	12,927,729	0.67%
Total Non-Current Liabilities	**21,071,376**	**1.11%**	**17,658,104**	**0.90%**
Noncurrent Liabilities				
Stockholders' Equity				
Capital stock	481,827,653	25.31%	481,827,653	24.62%
Additional paid in capital	144,759,977	7.60%	144,759,977	7.40%
Treasury shares	(101,969,326)	-5.36%	(101,777,276)	-5.20%
Net unrealized gains on financial assets at FVOCI	(18,558,195)	-0.97%	17,432,186	0.89%
Unrealized gains on changes in fair value of AFS investments	0	0.00%	0	0.00%
Actuarial loss on retirement benefit obligation	(2,959,003)	-0.16%	(416,121)	-0.02%
Accumulated share in other comprehensive income of assoc.	90,849,242	4.77%	72,344,371	3.70%
Retained earnings	1,185,978,066	62.30%	1,230,524,692	62.86%
Total Equity Attributable to Stockholders of the Company	1,779,928,414	93.49%	1,844,695,482	94.25%
Minority Interests	72,256,990	3.80%	72,853,866	3.72%
Total Stockholders' Equity	1,852,185,404	97.29%	1,917,549,348	97.97%
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	1,903,850,010	100.00%	1,957,361,337	100.00%

EXHIBIT "5"
Schedule 1

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
BREAKDOWN OF RECEIVABLES
AS OF DECEMBER 31, 2019, 2018 AND 2017

	2019	2018	2017
Receivables:			
Receivable from Related Parties:			
Business Process Outsourcing, International	₱16,950,130	₱15,893,860	₱13,173,252
Magellan Utilities Development Corporation	–	–	–
Pointwest Technologies Corporation	–	–	–
Others	460,781	360,406	287,417
Total Receivables from Related Parties	**₱17,410,911**	**₱16,254,266**	**₱13,460,669**
Interest Receivable	6,193,246	7,447,413	6,656,595
Receivable from Philippine Depositary Insurance Corporation (PDIC)	–	–	500,000
Others	(286,676)	(165,032)	127,370
Total Receivables from Third Parties	**₱5,906,570**	**₱7,282,381**	**₱7,283,965**

EXHIBIT "5"
Schedule 2

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES
BREAKDOWN OF ACCOUNTS PAYABLE AND ACCRUED EXPENSES
AS OF DECEMBER 31, 2019, 2018 AND 2017

	2019	2018	2017
Accounts payable	₱3,077,153	₱445,706	₱3,122,197
Deposit payable	4,375,558	5,013,921	5,420,699
Government payable	1,289,884	1,149,942	1,138,869
Deferred Rental Income	8,400	—	—
Accrued expenses			
Professional fees (legal and audit fees)	1,221,256	1,126,214	579,264
Other operating expenses	367,009	349,104	742,568
Total Accounts Payable and Accrued Expenses	**₱10,339,260**	**₱8,084,887**	**₱11,003,597**