COVER SHEET

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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 C. Tantuico	8927133 · 8927137
Contact Person	Company Telephone Numbers

12	31	04	12
Month	Day	Month	Day
Fiscal Year		Annual Meeting	

SEC FORM 17-Q
(As of SEPTEMBER 30, 2019)

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.1(1) (A) (ii) THEREUNDER

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-Q

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

1. For the quarterly period ended **30 September 2019**

2. SEC Identification Number **43370** 3. BIR Tax Identification No. **000-829-097**

4. *F & J Prince Holdings Corporation*
   Exact name of registrant as specified in its charter

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

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

7. **5th Floor, Citibank Center Building**
   8741 Paseo de Roxas, Makati City **1226**
   Address of principal office Postal Code

8. **(632) 892-7133**
   Registrant'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 4 and 8 of the RSA

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

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

Yes [✓] No [ ]

If yes, state the name of such Stock Exchange and class/es of securities listed therein:

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

12. **Indicate by check mark whether the registrant:**

(a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code (SRC) and RSA Rule 17(2)-(b) thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports)

Yes [✓] No [ ]

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

Yes [✓] No [ ]

PART I
FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

The following financial statements, presented in a comparative format, are submitted:

(1) Unaudited Interim Balance Sheet as of 30 September 2019 and Audited Balance Sheet as of 31 December 2018 as Annex "A";

(2) Unaudited Interim Statement of Income and Retained Earnings for the nine (9) month period ending 30 September 2019 and the 9 month period ending 30 September 2018 as Annex "B";

(3) Unaudited Statement of Income and Retained Earnings for the three month period ending 30 September 2019 and three months period ending 30 September 2018 shown as Annex "C";

(4) Unaudited Interim Statement of Changes in Stockholders' Equity for the 9 month period ending 30 September 2019 and 30 September 2018 and Audited Statement of Changes in Stockholders' Equity for the year ending 31 December 2018 as Annex "D";

(5) Unaudited Interim Consolidated Cash Flow Statement for the 9 month period ending 30 September 2019 and the 9 month period ending 30 September 2018 as Annex "E";

(6) Interim Cash Flow for the quarterly periods ending 30 September 2019 and 30 September 2018, as Annex "F"; and

(7) Consolidated Balance Sheet as of 30 September 2019 and 31 December 2018 with vertical and horizontal percentage analysis as Annex "G".

ITEM 2. MANAGEMENTS DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

(1) Management's Discussion and Analysis

The Registrant's consolidated revenue in 2018 decreased to ₱62.8 million from ₱130.8 million in 2017. Equity in net earnings of associates decreased from ₱40.9 million in 2017 to a loss of ₱14.0 million in 2018 as Pointwest experienced operating losses due to loss of two major accounts. Interest income decreased from ₱37.4 million in 2017 to ₱33.1 million in 2018 as interest levels have stabilized. A net foreign exchange gain of ₱31.6 million was recorded in 2018 versus ₱7.8 million in 2017 as the Peso continued to decline against foreign currencies which benefitted the foreign exchange denominated bonds and other securities hold by the Registrant and its subsidiary. Rent increased from ₱20.8 million in 2017 to ₱23.2 million in 2018 due to escalation of rental rates and the leasing out of additional condominium units acquired in 2016 and 2017. Loss on disposal of AFS, HTM and FVPL Financial Assets of ₱1.3 million was recorded in 2018 against a gain of P3.8 million in 2017. Dividend income increased from ₱2.4 million in 2017 to ₱3.7 million in 2018. Fair value loss on Financial Assets at FVPL was ₱14.2 million in 2018 compared to a gain of ₱17.4 million in 2017.

Total consolidated expenses of the Registrant slightly increased to ₱41.9 million in 2018 compared to ₱40.1 million in 2017 due to higher taxes and licenses related to the acquisition of additional investment property and higher other expenses.

As a result of the above, total consolidated income before tax in 2018 totaled ₱21.0 million compared to ₱90.8 million in 2017. After provision for income tax, total consolidated net income after tax totaled ₱13.1 million in 2018 compared to ₱79.4 million in 2017.

Net income attributable to non-controlling interest, namely minority shareholders of Magellan Capital Holdings Corporation, totaled ₱1.0 million in 2018 compared to ₱1.7 million in 2017.

The Registrant's financial position is very strong as it has substantial cash resources available to undertake its planned projects. As of December 31, 2018, the Registrant's consolidated cash and cash equivalent totaled over ₱571.4 million which was lower than the level of ₱753.6 million as of December 31, 2017 due to additional investment in properties and additional investment in financial assets. The Registrant and its subsidiary is 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 ₱39.8 million at year-end 2018 compared to ₱56.4 million at year-end 2017. Total equity amounted to ₱1.9 billion as of the end of 2018 compared to ₱2.0 billion at year-end 2017.

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 2018 totaled ₱571.4 million compared to ₱753.6 million at the end of 2017 while total current assets totaled ₱841.8 million at year-end 2018 compared to ₱986.4 billion at year-end 2017. 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.

(a) Operating Results and Financial Condition for the Third Quarter of 2019

(i) There are no known trends, demands, events or uncertainties that would have a material effect on the Issuer's liquidity.

(ii) There are no known or anticipated events that would trigger direct or contingent financial obligation that is material to the Company including any default or acceleration of any obligation.

(iii) There are no material off-balance sheet transaction, arrangements, obligations (including contingent obligations) and other relationship of the Company with unconsolidated entities or other persons created during third quarter of 2019 or in prior periods.

(iv) There are no material commitments for capital expenditures, by the Company or its majority owned subsidiary.

(v) There are no trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable impact on net revenues/income from continuing operations except for possible unrealized or realized foreign exchange gains from the dollar denominated investments of the Company and unrealized gains on trading securities. These are generally recognized in the year-end Audited Financial Statements except for realized foreign exchange gain which are reported in the period realized.

(vi) The Company did not realize any non-operating income in the third quarter of 2019 or in the third quarter of 2018 aside from unrealized gain on trading securities, gain on disposal of AFS/HTM investments and net unrealized foreign exchange gains.

The following is a detailed discussion of the Registrant's operations and financial condition during the third quarter of 2019 and third quarter of 2018.

Operating Results

Breakdown of Revenue for the Three Month Periods Ending September 30, 2019 and September 30, 2018 with Vertical and Horizontal Percentage Analysis is shown below:

(₱000)	THIRD QUARTER September 30, 2019	VERTICAL PERCENTAGE ANALYSIS September 30, 2019	THIRD QUARTER September 30, 2018	VERTICAL PERCENTAGE ANALYSIS September 30, 2018	INCREASE (DECREASE) AMOUNT September 30, 2019	INCREASE (DECREASE) PERCENTAGE September 30, 2019
INTEREST INCOME						
From Banks	₱ 3,761	40.3%	₱ 2,506	10.9%	₱ 1,255	50.1%)
From Securities	4,082	43.7%	4,447	19.3%	(365)	(8.2%)
TOTAL	**7,843**	**84.0%**	**6,593**	**30.2%**	**890**	**12.8%**
RENT INCOME	6,363	68.2%	6,115	26.6%	248	4.1%
DIVIDEND INCOME	2,271	24.3%	2,133	9.3%	138	6.5%
UNREALIZED GAIN ON TRADING SECURITIES	-	-	15,481	67.3%	(15,481)	(100%)
EQUITY IN NET EARNINGS OF ASSOCIATE	(8,130)	(87.1%)	(7,677)	(33.4%)	(453)	(5.9%)
REALIZED FX GAIN	958	10.3%	0	0	958	100%
GAINS OF DISPOSAL OF AFS/RTM INVESTMENT	31	0.3%	-	0%	31	100%
OTHER INCOME	-	-	-	0%	-	-
TOTAL	**₱ 9,336**	**100%**	**₱ 23,005**	**100%**	**₱ (13,669)**	**(59.4%)**

Revenues. Consolidated Revenues of the Registrant during the three month period ending September 2019 totaled ₱9.3 million compared to ₱23.0 million during the same period in 2018. The decrease in revenue in third quarter of 2019 was due mainly to a decrease in unrealized gain on trading securities which decreased from ₱15.5 million in the Third Quarter of 2018 to NIL in Third Quarter of 2019. In addition, there was a further decrease in equity in net earnings of associates from loss of ₱7.7 million in the third quarter of 2018 to a loss of ₱8.1 million in the third quarter of 2019 as Pointwest experienced losses due to the loss of a major account. Interest income increased to ₱7.8 million in the third quarter of 2019 from ₱6.9 million in the third quarter of 2018. Rental income increased from ₱6.1 million in the third quarter of 2018 to P6.4 million in the third quarter of 2019 due to escalation of rentals. Dividend income increased to ₱2.3 million in the third quarter of 2019 from ₱2.1 million in the third quarter of 2018.

Expenses. Consolidated general and administrative expenses of the Registrant totaled ₱18.4 million in the third quarter of 2019 compared to ₱8.1 million in the same period in 2018. The increase in expenses was mainly due to unrealized loss of financial assets at FVPL totaling ₱8 million compared to NIL in the Third Quarter of 2018 as prices of listed stocks held by the Registrant and its Subsidiaries declined. In addition, loss on disposal of financial assets at FVOCI of ₱1.1 million was realized in the Third Quarter of 2019 compared to NIL in 2018. Movement of other items in the consolidated general and administrative expenses were relatively minor.

Net Income. Due to the movements in the revenues and expenses discussed above, consolidated net loss in the third quarter of 2019 totaled ₱9.1 million compared to ₱14.9 million in the third quarter of 2018. After deducting the share of minority shareholders in the Registrant's majority-owned subsidiary Magellan Capital Holdings Corporation, the consolidated net loss attributable to the shareholders of the Registrant was ₱8.6 million in the third quarter of 2019 compared to a net profit of ₱14.2 million in the third quarter of 2018.

BALANCE SHEET ACCOUNTS

Annex "A" shows the Consolidated Balance Sheet of the company as of September 30, 2019 and December 31, 2018 while Annex "G" shows the Vertical and Horizontal Percentage Analysis of Balance Sheet Accounts for September 30, 2019 compared to December 31, 2018. The various balance sheet accounts are discussed below:

ASSETS

Current Assets. Consolidated current assets as of September 30, 2019 totaled ₱930 million compared to ₱841.4 million as of December 31, 2018. The increase was mainly due to the increase in cash and cash equivalents which rose from ₱571.4 million as of December 31, 2018 to ₱652 million as of September 30, 2019. There was also a decrease in dividends receivables as dividends declared by the Registrant's outsourcing affiliates at the end of 2018 have been partly collected in 2019 and dividends declaration by Pointwest declined. Financial assets at fair value increased from ₱205.9 million at year-end 2018 to ₱224.1 million at the end of December 2019.

Receivables from Related Parties. This account totaled nil as of September 30, 2019, the same level as at December 31, 2018.

Investments in Associates. This account which consists of the Registrant's investment in Pointwest Technologies Corporation and BPO International, Inc. (BPOI) decreased from ₱283.5 million at year-end 2018 to ₱275.3 at the end of September 2019 million due to the share of the Registrant in equity in net losses of Pointwest, offset partly by share in net income of BPO International.

Financial Assets at FVOCI – Net of Current Portion. This account which consists mostly of bond investments decreased to ₱371.2 million at September 30, 2019 from ₱422.9 million at year-end 2018 due to maturity of some bond investments.

Property and Equipment. This account totaled ₱7.8 million as of September 30, 2019 compared to ₱8.9 million as of December 31, 2018 due to accumulated depreciation.

Investment in Property. This account decreased to ₱393.5 million at the end of September 2019, compared to ₱399.9 million at the end of December 31, 2018 due to accumulated depreciation.

Other Non-Current Assets. This account totaled ₱14.4 million as of September 30, 2019 from ₱0.7 million at year-end 2018 due to expenditures mainly related to development and construction of the office building in Fort Bonifacio by Magellan Capital Holdings Corporation.

Total Assets. As a result of the foregoing, total assets increased slightly to ₱1,992 million as of September 30, 2019 from ₱1,957.4 million as of December 31, 2018.

LIABILITIES AND EQUITY

Current Liabilities. Current liabilities decreased to ₱18.6 million as of September 30, 2019 from ₱22.2 million as of December 31, 2018. The decrease was due mainly to a decrease in income tax payable as taxes due on the income in 2018 were paid out in April 2019. Accounts payable and accrued expenses decreased due to the lower accrued expenses. Dividends payable also dropped to ₱4.6 million at the end of September 30, 2019 from ₱5.1 million at the end of 2018 as dividends were paid out.

Non-Current Liabilities. Non-current liabilities remained stable at ₱17.7 million at September 30, 2019, the same level as at year-end 2018. This consisted of retirement benefit obligation and deferred income tax liabilities.

Stockholder's Equity. Total stockholders' equity increased to ₱1,955 million at the end of September 2019 from ₱1,917.5 million at the end of 2018 due mainly to net income accrued in the first nine months of 2019. Minority interest which represents the share of minority shareholders of MCHC in the equity of MCHC totaled ₱74.9 million at the end of September 2019 compared to ₱72.9 million at the end of 2018 due to their share in net income realized by MCHC in the first 9 months of 2019. Total equity attributable to stockholders of the Registrant was ₱1,880.8 million as of September 30, 2019 compared to ₱1,844.7 million at the end of December 2018 due to the income generated in the first 9 months of 2019 offset by the dividends paid out in 2019.

Top Performance Indicators

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

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

Change in Revenues. Consolidated revenues in the third quarter of 2019 and 2018 are presented below in summary form:

(₱000)	3rd Quarter 2019	Percentage (%)	3rd Quarter 2018	Percentage (%)
Interest Income	₱ 7,843	84.0%	₱ 6,953	30.2%
Unrealized Gain on Trading Securities	-	-	15,481	67.3%
Rental Income	6,363	68.2%	6,115	26.6%
Equity in Net Earnings of Associate	(8,130)	(87.1)	(7,677)	(33.4%)
Dividend Income	2,270	24.3%	2,133	9.3%
Gain on Disposal/Redemptive of AFS/HTM Investments	31	0.3%	0	0%
Realized Forex Gain	958	10.3%	0	0%
Other Income	0	0	0	0%
TOTAL INCOME	₱ **9,336**	**100%**	₱ **23,005**	**100%**

Total revenue decreased to ₱9.3 million in the third quarter of 2019 from ₱23.0 million in the third quarter of 2018. The lower revenue in 2019 was due mainly to the decrease in unrealized gain on trading securities which dropped from ₱15.5 million in the 3rd Quarter of 2018 to NIL in the Third Quarter of 2019 as prices of listed stocks held by the Registrant and its Subsidiary declined during this period. In addition, higher losses at Pointwest led to higher share in net loss of associates. Interest income, rental income and dividends income increased slightly.

Change in Net Income. The income statement in the third quarter of 2019 and 2018 are shown in Annex "C" and summarized below:

(₱000)	3rd Quarter 2019	Percentage (%)	3rd Quarter 2018	Percentage (%)
Revenues	₱ 9,336	100%	₱ 23,005	100%
Expenses	18,437	0	8,109	35.2%
Net Income	(9,101)	0	14,895	64.7%
Attributable to:				
- Minority Interest	(455)	0	745	3.2%
- Stockholders of Company	(8,646)	0	14,150	61.5%

The Registrant realized a consolidated net loss of ₱9.1 million in the third quarter of 2019 versus consolidated net income of ₱14.2 million in the third quarter of 2018. After deducting the share of minority shareholders of MCHC, the company realized a net loss of ₱8.6 million attributable to stockholders of the company in the third quarter of 2019 compared to a net income of ₱14.2 million attributable to stockholders of the company in the third quarter of 2018. Unrealized loss on trading securities and higher losses at Pointwest accounted for most of the decline.

Earnings per Share. The net loss per share attributable to shareholders of the Company during the third quarter of 2019 was ₱0.023 per share compared to net earnings per share of ₱0.0368 in the third quarter of 2018.

Current Ratio. Current ratio as of September 30, 2019 was 49.9 X compared to 36.6 X as of December 31, 2018. The increase was due mainly to the increase in cash and cash equivalents.

Book Value Per Share. Book value per share as of September 30, 2019 was ₱4.90 per share compared to ₱4.80 per share at year end 2018 after deducting the shares held by subsidiaries of the Registrant which in the consolidated financial accounts are classified as treasury shares. The net income realized in the first 9 months of 2019 was offset by dividends paid out in 2019.

PART II
OTHER INFORMATION

As of 30 September 2019, the following resolutions of the Board of Directors were reported under SEC Form 17-C:

(1) ELECTION OF DIRECTORS AND OFFICERS

During the Annual Meeting of the Stockholders of the Corporation held on July 16, 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..

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, JR.	-	Senior Vice-President & Compliance Office
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

(2) OTHER EVENTS

(a) Annual Stockholders' Meeting

The Annual Stockholders' Meeting of the Corporation was held as scheduled on July 16, 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.

(b) <u>Organizational Meeting of the Board of Directors</u>

Immediately after the Stockholders' Meeting, the newly-elected Directors held their Organizational Meeting. The election of the officers of the Corporation, as well as members of various board committees was duly disclosed to the SEC and PSE, thru PSE Edge System Online after the meeting and with confirmation copies filed on July 17, 2019, under SEC Form 17-C. The notices and other requirements for said meeting were complied with under the relevant SRC Rule.

(c) Other Matters

At the same Board meeting, the Board approved and adopted a resolution declaring cash dividends, as follows:

(i) **Ten Centavos (P0.10) per share**, to stockholders of record as of **September 23, 2019** (the Record Date"), payable on or before **October 14, 2019**; and

(ii) **Ten Centavos (P0.10) per share**, to stockholders of record as of **October 23, 2019** (the "Record Date"), payable on or before **November 14, 2019**.

SIGNATURES

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

Issuer *F & J Prince Holdings Corporation*

Principal Executive Officer

Signature and Title **ROBERT Y. COKENG, President**

Date **19 November 2019**

Principal Financial/Accounting Officer/Controller

Signature and Title **MARK RYAN K. COKENG, Treasurer**

Date **19 November 2019**

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3rd Quarter–30 September 2019

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2019 AND DECEMBER 31, 2018

ANNEX "A"
Page 1

		UNAUDITED SEPT.30, 2019		AUDITED DEC. 31,2018
ASSETS				
Current Assets				
Cash and cash equivalents	P	652,155,671	P	571,371,026
Financial assets at fair value through profit or loss		224,087,292		205,897,512
Convertible note receivable		0		0
Receivables-net :				
Advances to Officers & Employees		0		0
Interest Receivable		7,099,855		7,447,413
Dividends Receivable		8,815,680		15,749,974
Receivable from related parties		797,171		504,292
Others		1,397,433		796,336
Total Receivables		18,110,139		24,498,015
Allowance for impairment losses		961,368		961,368
Total Receivables-Net		17,148,771		23,536,647
Current portion of HTM investments		0		0
Current portion of AFS financial assets		1,472,239		6,945,819
Prepaid expenses & other current assets:				
Input Tax		31,703,101		32,984,333
Prepaid Income Tax		1,176,921		0
Others		2,251,717		667,888
Total Prepaid expenses and other current assets		35,131,739		33,652,221
Total Current Assets	P	929,995,712	P	841,403,225
Non-current Assets				
Receivables from related parties-net		0		0
Investments in associates		275,333,617		283,463,312
HTM investments-net of current portion		0		0
Financial assets at FVOCI-net of current portion		371,185,600		422,926,585
Investment in property		393,492,651		399,897,554
Property and Equipment				
Building		20,755,943		20,755,943
Building Improvements		8,764,062		8,764,062
Transportation equipment		10,263,079		10,263,079
Furniture and fixtures		2,869,509		2,865,479
Total		42,652,593		42,648,563
Less: Accumulated depreciation		35,024,540		33,721,482
Net Book Value		7,628,053		8,927,081
Total Property and Equipment		7,628,053		8,927,081
Other non-current assets		14,382,602		743,580
Total Non-Current Assets		1,062,022,523		1,115,958,112
TOTAL ASSETS	P	1,992,018,235	P	1,957,361,337

LIABILITIES & STOCKHOLDERS' EQUITY		UNAUDITED SEPT. 30, 2019		AUDITED DEC. 31, 2018
Current Liabilities				
Accounts Payable and accrued expenses				
Accounts payable-trade		0		0
Accounts payable-others		412,718		445,703
Withholding taxes payable		218,336		429,765
SSS Premium Payable		14,862		12,511
HDMF Premium Payable		3,096		1,696
Philhealth Premium Payable		8,131		8,178
Deposit Payable		7,281,036		7,041,272
Output Vat Payable		884,468		682,873
Accrued expenses		158,782		1,490,240
Total Accounts payable and accrued expenses	P	8,981,429	P	10,112,238
Dividends Payable		4,626,813		5,139,021
Income Tax Payable		0		1,902,626
Provision for legal obligation		5,000,000		5,000,000
Total Current Liabilities	P	18,608,242	P	22,153,885
Non-Current Liabilities				
Deferred income tax liabilities-net		4,730,375		4,730,375
Payable to related parties		0		0
Retirement benefit obligation)		12,927,729		12,927,729
Total Non-Current Liabilities		17,658,104		17,658,104
Stockholders' Equity				
Capital stock		481,827,653		481,827,653
Additional paid in capital		144,759,977		144,759,977
Treasury shares		(101,777,276)		(101,777,276)
Unrealized gain on financial assets at FVOCI		23,526,330		17,432,186
Actuarial loss on retirement benefit obligation		(416,121)		(416,121)
Accumulated share in other comprehensive income of associates		72,344,371		72,344,371
Retained earnings		1,260,563,398		1,230,524,692
Total Equity Attributable to Stockholders of the Company		1,880,828,332		1,844,695,482
Minority Interest		74,923,557		72,853,866
Total Stockholders' Equity		1,955,751,889		1,917,549,348
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	P	1,992,018,235	P	1,957,361,337

See accompanying Notes to Consolidated Financial Statements

Prepared by:

ARSENIO T. LIAO
Accountant

ANNEX "B"

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS PERIOD ENDING SEPT. 30, 2019 AND SEPT. 30, 2018

		UNAUDITED SEPT. 30, 2019		UNAUDITED SEPT. 30, 2018
REVENUES				
Equity in net earnings of associate	P	(8,129,695)	P	(7,676,875)
Interest Income				
From Banks		12,002,626		7,227,431
From Securities		11,898,440		14,633,081
Total Interest Income		23,901,066		21,860,512
Unrealized gains on trading securities		17,445,685		24,388,323
Rental Income		18,841,797		16,997,849
Gains on disposal /redemption of AFS/HTM investments				1,037,702
Realized gain on disposal of financial assets at FVOCI		771,847		
Dividend Income		4,112,178		3,741,048
Realized forex gain		4,407,187		1,466,802
Realized gain on sale of FVPL		1,135,602		0
Other income		78,240		0
	P	62,563,907	P	61,815,361
EXPENSES				
Net foreign exchange loss		0		725,122
Amortization of unrealized losses on changes in fair value of AFS investments		0		0
Salaries, wages and employees' benefits		8,737,069		8,410,643
Depreciation		7,897,836		7,827,070
Professional fees		1,113,817		2,193,967
Condominium dues		1,639,353		1,797,473
Realized loss on disposal/redemption of bonds		1,374,283		0
Taxes and licenses		1,755,950		5,116,704
Entertainment, amusement and recreation		179,814		274,160
Unrealized loss on financial assets at FVPL		3,712,025		923,802
Others		4,045,363		4,285,163
		30,455,510		31,554,104
NET INCOME	P	32,108,397	P	30,261,257
NET INCOME ATTRIBUTABLE TO:				
STOCKHOLDERS OF THE COMPANY	P	30,038,706	P	27,896,683
MINORITY INTERESTS		2,069,691		2,364,574
EARNINGS PER SHARE	P	0.078	P	0.073

See accompanying Notes to Consolidated Financial Statements

Prepared by:

ARSENIO T. LIAO
Accountant

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS PERIOD ENDING SEPT. 30, 2019 AND SEPT. 30, 2018

		UNAUDITED SEPT. 30, 2019		UNAUDITED SEPT. 30, 2018
NET INCOME	P	32,108,397	P	30,261,257
OTHER COMPREHENSIVE INCOME(LOSS)				
Changes in fair value of AFS investments		6,094,144		(3,692,351)
Amortization of unrealized losses on changes in fair value of AFS investments		-		-
Disposal of AFS investment				
Impairment loss on AFS investments				
Others				
		6,094,144		(3,692,351)
TOTAL COMPREHENSIVE INCOME(LOSS)	P	38,202,541	P	26,568,906
TOTAL COMPREHENSIVE INCOME(LOSS) ATTRIBUTABLE TO:				
STOCKHOLDERS OF THE COMPANY	P	36,292,414	P	25,240,461
MINORITY INTERESTS		1,910,127		1,328,445
	P	38,202,541	P	26,568,906

See accompanying Notes to Consolidated Financial Statements

Prepared by:

ARSENIO T. LIAO
Accountant

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS PERIOD JULY 1-SEPT. 30, 2019 AND JULY 1-SEPT. 30, 2018

		UNAUDITED JULY 1- SEPT. 30, 2019		UNAUDITED JULY 1- SEPT. 30, 2018
REVENUES				
Equity in net earnings of associate	P	(8,129,695)	P	(7,676,875)
Interest Income				
From Banks		3,760,852		2,505,641
From Securities		4,081,847		4,447,003
Total Interest Income		7,842,699		6,952,644
Unrealized gains on trading securities		0		15,480,910
Rental Income		6,363,154		6,115,285
Gains on disposal /redemption of AFS/HTM investments		31,429		0
Dividend Income		2,270,515		2,132,590
Realized forex gain		957,545		0
Other income		0		0
	P	9,335,647	P	23,004,554
EXPENSES				
Net foreign exchange loss		0		7,144
Amortization of unrealized losses on changes in fair value of AFS investments		0		0
Salaries, wages and employees' benefits		3,069,257		2,780,778
Depreciation		2,626,639		2,609,023
Professional fees		347,436		388,488
Condominium dues		416,936		548,741
Realized loss on disposal of financial assets at FVOCI		1,123,243		0
Taxes and licenses		99,348		465,056
Entertainment, amusement and recreation		12,527		59,258
Unrealized loss on financial assets at FVPL		10,022,757		0
Others		718,658		1,250,675
		18,436,801		8,109,163
NET INCOME	P	(9,101,154)	P	14,895,391
NET INCOME ATTRIBUTABLE TO:				
STOCKHOLDERS OF THE COMPANY	P	(8,646,096)	P	14,150,621
MINORITY INTERESTS		(455,058)		744,770
EARNINGS PER SHARE	P	(0.0230)	P	0.0368

See accompanying Notes to Consolidated Financial Statements

Prepared by:

ARSENIO T. LIAO
Accountant

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD JULY 1-SEPT. 30, 2019 AND JULY 1-SEPT. 30,2018

		UNAUDITED JULY 1- SEPT. 30,2019		UNAUDITED JULY1- SEPT. 30,2018
NET INCOME	P	(9,101,154)	P	14,895,391
OTHER COMPREHENSIVE INCOME(LOSS)				
Changes in fair value of AFS investments		464,945		1,051,668
Amortization of unrealized losses on changes in fair value of AFS investments		-		-
Disposal of AFS investment				
Impairment loss on AFS investments				
Others				
		464,945		1,051,668
TOTAL COMPREHENSIVE INCOME(LOSS)	P	(8,636,209)	P	15,947,059
TOTAL COMPREHENSIVE INCOME(LOSS) ATTRIBUTABLE TO:				
STOCKHOLDERS OF THE COMPANY	P	(8,204,399)	P	15,149,706
MINORITY INTERESTS		(431,810)		797,353
	P	(8,636,209)	P	15,947,059

See accompanying Notes to Consolidated Financial Statements

Prepared by:

ARSENIO T. LIAO
Accountant

ANNEX "D"

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPT. 30, 2019 AND SEPT. 30, 2018
AND THE YEAR ENDED DECEMBER 31, 2018

		UNAUDITED	UNAUDITED	AUDITED
		SEPT. 30, 2019	SEPT. 30, 2018	DEC. 31, 2018
CAPITAL STOCK				
Balance at beginning of year	P	481,827,653P	481,827,653 P	481,827,653
Exercise of stock warrants				
Issuance of additional shares of stock				
Subscription of additional shares of stock				
Balance at end of period		481,827,653	481,827,653	481,827,653
ADDITIONAL PAID-IN CAPITAL		144,759,977	144,759,977	144,759,977
Treasury Shares		(101,777,276)	(100,946,956)	(101,777,276)
Unrealized gain on financial assets at FVOCI		23,526,330		
Other Reserves			59,374,107	17,432,186
Actuarial loss on retirement benefit obligation		(416,121)	(792,683)	(416,121)
Share in other comprehensive income of associates		72,344,371	50,375,587	72,344,371
SHARE IN REVALUATION INCREMENT ON LAND OWNED BY MCHC's SUBSIDIARIES				
RETAINED EARNINGS				
Balance at beginning of period		1,230,524,692	1,297,004,791	1,297,004,791
Net Income		30,038,706	27,896,682	12,088,289
Dividends declared			(48,182,765)	(78,568,388)
Balance at end of period		1,260,563,398	1,276,718,708	1,230,524,692
		1,880,828,332	1,911,316,393	1,844,695,482
Minority Interests		74,923,557	76,352,119	72,853,866
TOTAL STOCKHOLDERS' EQUITY	P	1,955,751,889 P	1,987,668,512 P	1,917,549,348

See accompanying Notes to Consolidated Financial Statements

Prepared by:

ARSENIO T. LIAO
Accountant

ANNEX "E"

F & J PRINCE HOLDINGS CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDING SEPT. 30, 2019 AND SEPT. 30, 2018

		UNAUDITED SEPT. 30, 2019	UNAUDITED SEPT. 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	P	30,038,706 P	27,896,683
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in net earnings of associate		0	7,676,875
Minority Interest		2,069,691	2,364,574
Depreciation and amortization		7,897,836	7,827,070
Net unrealized gains on financial assets at FVOCI		6,094,145	
Amortization of unrealized loss/gain on FV of AFS inv.			(3,692,351)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables		6,387,876	6,883,472
Prepaid expenses and other current assets		(1,479,518)	(16,374,671)
Increase (decrease) in accounts payable and accrued expenses		(1,130,809)	2,746,454
Net cash provided by operating activities		49,877,927	35,328,106
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions/disposals of property and equipment		(193,904)	(2,175)
AFS/HTM investments and financial assets (FVPL)			(22,767,439)
Financial assets at FVOCI and FVPL		47,154,478	
Investment in property			(179,490,572)
Decrease (increase) in:			
Other assets		(13,639,022)	37,104,676
Net cash provided by (used in) investing activities		33,321,552	(165,155,510)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in:			
Deferred credits		0	(32,157)
Cash dividends declared and paid		0	(48,182,765)
Dividends payable		(512,208)	(2,569,774)
Income tax payable		(1,902,626)	(7,875,136)
Net cash provided by (used in) financing activities		(2,414,834)	(58,659,832)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	P	80,784,645 P	(188,487,236)
CASH AND CASH EQUIVALENTS, BEGINNING		571,371,026	753,565,434
CASH AND CASH EQUIVALENTS, ENDING	P	652,155,671 P	565,078,198

See accompanying Notes to Consolidated Financial Statements

Prepared by:

ARSENIO T. LIAO
Accountant

ANNEX "F"

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 3 MONTHS PERIOD JULY1-SEPT. 30, 2019 AND JULY1-SEPT. 30, 2018

		UNAUDITED JULY 1- SEPT. 30,2019		UNAUDITED JULY 1 SEPT. 30,2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	P	(8,646,096)	P	14,150,621
Adjustments to reconcile net income to net cash provided by operating activities:				
Equity in net earnings in associate		0		7,676,875
Minority interest		(455,058)		744,770
Depreciation and amortization		2,626,639		2,609,023
Unrealized loss/gain on changes in fair value of AFS/FVPL		0		1,051,668
Net unrealized gains of financial assets at FVOCI		464,944		-
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Receivables		4,664,533		1,731,045
Prepaid expenses and other current assets		308,552		293,008
Increase (decrease) in:				
Accounts payable and accrued expenses		(1,282,803)		1,957,182
Net cash provided by operating activities		(2,319,289)		30,214,192
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions/disposals of property and equipment		(54,476)		(2,175)
Financial assets at FVOCI and FVPL		17,592,728		0
AFS/HTM/other investments and financial assets (FVPL)				(22,868,685)
Decrease (increase) in:				
Receivables from related parties		0		0
Other assets		(13,639,022)		0
Net cash provided by (used in) investing activities		3,899,230		(22,870,860)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in:				
Cash dividends declared and paid		0		(48,182,765)
Deposit liability		0		0
Dividends payable		0		(6,930)
Income tax payable		0		0
Net cash provided by (used in) financing activities		0		(48,189,695)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	P	1,579,941	P	(40,846,363)
CASH AND CASH EQUIVALENTS, BEGINNING		650,575,730		605,924,561
CASH AND CASH EQUIVALENTS, ENDING	P	652,155,671	P	565,078,198

F& J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET AS OF SEPT. 30, 2019 AND DECEMBER 31, 2018
WITH VERTICAL AND HORIZONTAL PERCENTAGE ANALYSIS

"ANNEX G"

	UNAUDITED3 SEPT. 30, 2019	VERTICAL PERCENTAGE ANALYSIS SEPT. 30, 2019	AUDITED DEC. 31,2018	VERTICAL PERCENTAGE ANALYSIS DEC. 31, 2018	INCREASE (DECREASE) AMOUNT SEPT.30, 2019	INCREASE (DECREASE) PERCENTAGE ANALYSIS SEPT. 30, 2019
ASSETS						
Current Assets						
Cash and cash equivalents	652,155,671	32.74%	571,371,026	29.19%	80,784,645	14.14%
Financial assets at fair value through fair value thru profit or loss (FVPL)	224,087,292	11.25%	205,897,512	10.52%	18,189,780	8.83%
Short-term investments	-	-	-	-	--	-
Receivables :						
Advances to Officers & Employees	0	0.00%	0	0.00%	0	0.00%
Interest Receivable	7,099,855	0.36%	7,447,413	0.38%	(347,558)	-4.67%
Dividends Receivable	8,815,680	0.44%	15,749,974	0.80%	(6,934,294)	-44.03%
Receivable from related parties	797,171	0.04%	504,292	0.03%	292,879	58.08%
Others	1,397,433	0.07%	796,336	0.04%	601,097	75.48%
Total Receivables	18,110,139	0.91%	24,498,015	1.25%	(6,387,876)	-26.08%
Allowance for impairment losses	961,368	-0.05%	961,368	-0.05%	0	0.00%
Total Receivables-Net	17,148,771	0.86%	23,536,647	1.20%	(6,387,876)	-27.14%
Current portion of HTM investments	0	0.00%	0	0.00%	0	0.00%
Current portion of AFS investments	1,472,239	0.07%	6,945,819	0.35%	(5,473,580)	21.20%
Prepaid expenses & other current assets:						
Others	2,251,717	0.11%	667,888	0.03%	1,583,829	237.14%
Input Tax	31,703,101	1.59%	32,984,333	1.69%	(1,281,232)	-3.88%
Prepaid Income Tax	1,176,921	0.06%	0	0.00%	1,176,921	100.00%
Total Prepaid expenses & other current assets	35,131,739	1.76%	33,652,221	1.72%	1,479,518	4.40%
Total Current Assets	929,995,712	46.68%	841,403,225	42.98%	88,592,487	10.53%
Non-current Assets						
Receivables from related parties	0	0.00%	0	0.00%	0	0.00%
Investments in associates	275,333,617	13.82%	283,463,312	14.48%	(8,129,695)	-2.87%
Financial assets at FVOCI	371,185,600	18.64%	422,926,585	21.61%	(51,740,985)	-12.23%
Investment in properties	393,492,651	19.75%	399,897,554	20.43%	(6,404,903)	-1.60%
Property and Equipment						
Building	20,755,943	1.04%	20,755,943	1.06%	0	0.00%
Building Improvements	8,764,062	0.44%	8,764,062	0.45%	0	0.00%
Transportation equipment	10,263,079	0.52%	10,263,079	0.52%	0	0.00%
Furniture and fixtures	2,869,509	0.14%	2,865,479	0.15%	4,030	0.14%
Total Property and Equipment	42,652,593	2.14%	42,648,563	2.18%	4,030	0.01%
Less: accumulated depreciation	35,024,540	-1.75%	33,721,482	-1.72%	1,303,058	3.86%
Net Book Value	7,628,053	0.39%	8,927,081	0.46%	(1,299,028)	-14.55%
Total Property and Equipment	7,628,053	0.39%	8,927,081	0.46%	(1,299,028)	-14.55%
Deferred income tax assets-net	0	0.00%	0		0	0.00%
Other Assets – net	14,382,602	0.72%	743,580	0.04%	13,639,022	1,834.24%
Total Non-Current Assets	1,062,022,523	53.32%	1,115,958,112	57.02%	(53,935,589)	-4.83%
TOTAL ASSETS	1,992,018,235	100.00%	1,957,361,337	100.00%	34,656,898	1.77%

	UNAUDITED SEPT. 30, 2019	VERTICAL PERCENTAGE ANALYSIS SEPT. 30, 2019	AUDITED DEC. 31,2018	VERTICAL PERCENTAGE ANALYSIS DEC. 31, 2018	INCREASE (DECREASE) AMOUNT SEPT. 30, 2019	INCREASE (DECREASE) PERCENTAGE ANALYSIS SEPT. 30, 2019
LIABILITIES & STOCKHOLDERS' EQUITY						
Current Liabilities						
Accounts Payable and accrued expenses						
Accounts payable-trade	0	0.00%	0	0.00%	0	0.00%
Accounts payable-others	412,718	0.01%	445,703	0.02%	(32,985)	-7.40%
Withholding taxes payable	218,336	0.01%	429,765	0.02%	(211,429)	-49.20%
SSS Premium Payable	14,862	0.00%	12,511	0.00%	2,351	18.79%
HDMF Premium Payable	3,096	0.00%	1,696	0.00%	1,400	82.55%
Philhealth Premium Payable	8,131	0.00%	8,178	0.00%	(47)	-0.57%
Deposit Payable	7,281,036	0.37%	7,041,272	0.37%	239,764	3.41%
Output Vat Payable	884,468	0.04%	682,873	0.03%	201,595	29.52%
Accrued expenses	158,782	0.01%	1,490,240	0.08%	(1,331,458)	-89.35%
Total Accounts payable & accrued expenses	8,981,429	0.44%	10,112,238	0.52%	(1,130,809)	-11.18%
Dividends Payable	4,626,813	0.23%	5,139,021	0.25%	(512,208)	-9.97%
Income Tax Payable	0	0.00%	1,902,626	0.10%	(1,902,626)	-100.00%
Provision for legal obligation	5,000,000	0.26%	5,000,000	0.26%	0	0.00%
Total Current Liabilities	18,608,242	0.93%	22,153,885	1.13%	(3,545,643)	-16.00%
Non-Current Liabilities						
Deferred tax liabilities-net	4,730,375	0.24%	4,730,375	0.24%	0	0.00%
Payable to related parties	0	0.00%	0	0.00%	0	0.00%
Retirement benefit obligation	12,927,729	0.65%	12,927,729	0.66%	0	0.00%
Total Non-Current Liabilities	17,658,104	0.90%	17,658,104	0.90%	0	0.00%
Stockholders' Equity						
Capital stock	481,827,653	24.19%	481,827,653	24.61%	0	0.00%
Additional paid in capital	144,759,977	7.27%	144,759,977	7.40%	0	0.00%
Unrealized gain on fin. assets at FVOCI	23,526,330	1.18%	17,432,186	0.89%	6,094,144	34.96%
Actuarial loss on retirement obligation	(416,121)	-0.02%	(416,121)	-0.02%	0	0.00%
Accumulated share in OCI of associates	72,344,371	3.63%	72,344,371	3.70%	0	0.00%
Treasury shares	(101,777,276)	-5.11%	(101,777,276)	-5.20%	0	0.00%
Retained earnings	1,260,563,398	63.28%	1,230,524,692	62.87%	30,038,706	2.44%
Total Equity Attributable to Stock-holders of the Company	1,880,828,332	94.42%	1,844,695,482	94.25%	36,132,850	1.96%
Minority Interest	74,923,557	3.75%	72,853,866	3.72%	2,069,691	2.84%
Total Stockholders' Equity	1,955,751,889	98.18%	1,917,549,348	97.97%	38,202,541	1.99%
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	1,992,018,235	100.00%	1,957,361,337	100.00%	34,656,898	1.77%

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.

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

Basis of Preparation

The interim condensed consolidated financial statements have been prepared under the historical cost basis, except for financial assets at FVTPL and certain ASS financial assets that have been measured at fair value in 2017 and financial assets at FVTPL and certain investments in debt and equity securities that have been measured at fair value in 2018. The interim condensed consolidated financial statements are presented in Philippine peso, which is the Group's functional currency, and rounded off to the nearest peso, except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2018.

Statement of Compliance

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

Basis of Consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of September 30, 2019 and December 31, 2018.

Details on the subsidiaries as of September 30, 2019 and December 31, 2018 are as follows:

	Primary Purpose	Percentage of Ownership
Magellan Capital Holdings Corporation (MCHC)*	Holding company	94.37%
Pinamucan Industrial Estates, Inc. (PIEI)	Real estate holding and development	100%
Malabrigo Corporation (MC)	Mining	100%
Magellan Capital Realty Development Corporation (MCRDC)**	Realty	100%
Magellan Capital Trading Corporation (MCTC)**	Trading	100%

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

The principal place of business and country of incorporation of the subsidiaries are in the Philippines.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of the new standards effective as of January 1, 2018. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance, unless otherwise indicated.

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

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  Adoption of these amendments did not have significant impact on the Group's interim condensed consolidated financial statements.

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

The Group has adopted this new standard without restating comparative information.

Classification and measurement

Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortized cost, or fair value through OCI (FVOCI). The classification is based on two criteria:

a. The Group's business model for managing the asset; and
b. Whether the instruments' contractual cash flows represent 'solely payment of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as the initial recognition of the assets.

As of January 1, 2018, the Group has reviewed and assessed all of its existing financial instruments. The table below illustrates the classification and measurement of financial instruments under PAS 39 and PFRS 9 at the date of initial application.

		PFRS 9 Measurement Categories		
PAS 39 Categories	**Balances**	**FVTPL**	**Amortized Cost**	**FVOCI**
Loans and receivables:				
Cash and cash equivalents	₱753,565,434	₱–	₱753,565,434	₱–
Receivables	7,283,965	–	7,283,965	–
Due from related parties	13,460,669	–	13,460,669	–
Financial assets at fair value through profit or loss (FVPL)	152,717,699	152,701,189	–	16,510
AFS financial assets	521,351,608	–	–	521,351,608
	₱1,448,379,375	₱152,701,189	₱774,310,068	₱521,368,118

As of December 31, 2018 and 2017, the Group does not hold financial liabilities designated at fair value through profit or loss.

Impairment

The adoption of PFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. Under PFRS 9, all financial assets except those measured at FVTPL and equity instruments at FVOCI are assessed for ECL. As at January 1, 2018, the Group recognized ECL amounting to ₱2.0 million on financial assets at FVOCI, thereby reducing retained earnings by the same amount.

The effects of adoption of PFRS 9 on the consolidated statement of financial position are as follows:

	As of January 1, 2018			
	Note	PAS 39	Increase (decrease)	PFRS 9
ASSETS				
Current Assets				
Cash and cash equivalents	(a)	₱753,565,434	₱–	₱753,565,434
Receivables	(a)	7,283,965	–	7,283,965
Due from related parties	(a)	13,460,669	–	13,460,669
Financial assets at FVTPL	(c)	152,717,699	(16,510)	152,701,189

Current portion of financial assets at FVOCI	(b)	–	40,784,002	40,784,002
Current portion of AFS financial assets	(b)	40,784,002	(40,784,002)	–
Noncurrent Assets				
Financial assets at FVOCI - net of current portion	(b)	–	480,584,116	480,584,116
AFS financial assets - net of current portion	(b)	480,567,606	(480,567,606)	–
LIABILITIES AND EQUITY				
Equity				
Net unrealized valuation gains on financial assets at FVOCI	(b)	–	64,984,630	64,984,630
Net unrealized valuation gains on AFS financial assets	(b)	63,066,458	(63,066,458)	–
Retained earnings	(d)	1,297,004,791	(2,015,029)	1,294,989,762
Noncontrolling interests	(d)	73,987,545	96,857	74,084,402

The nature of these adjustments are described below:

- Classification and measurement

(a) Cash and cash equivalents, receivables and due from related parties, which are previously classified as loans and receivables, are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortized cost.

(b) Debt securities previously classified as AFS financial assets are now classified and measured as debt securities at FVOCI with recycling. The Group expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis. The Group's debt instruments at FVOCI are foreign currency-denominated bond securities that passed the 'solely payments of principal and interest on the principal amount outstanding' test (the SPPI criterion). As at January 1, 2018, the carrying amount of debt securities at FVOCI amounted to ₱319.6 million.

Equity securities previously classified as AFS financial assets are now classified and measured as equity securities at FVOCI without recycling. The Group's investment in equity securities at FVOCI are not held for trading and for which the Group irrevocably elected the FVOCI option without recycling. In line with this, the Group reclassified the cumulative net unrealized gains on AFS financial assets to cumulative net unrealized gains on financial assets at FVOCI. As at January 1, 2018, the carrying amount of equity securities at FVOCI amounted to ₱201.7 million.

(c) The Group determined that its investments in unquoted preferred shares are not held for trading, thus, the Group irrevocably reclassified these investments from financial assets at FVPL to financial assets at FVOCI without recycling amounting to P16,510 as at January 1, 2018. Upon the adoption of PFRS 9, the revaluation difference for unquoted equity securities classified as financial assets at FVOCI is not significant.

- Impairment

    (d) The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss. Upon the adoption of PFRS 9, the Group recognized additional impairment on the Group's debt securities at FVOCI. Impairment losses, if any, do not reduce the carrying amount of debt instruments at FVOCI in the consolidated statement of financial position, which remains at fair value.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying* PFRS 9 *with* PFRS 4
The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  These amendments are not applicable to the Group since it has no activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

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

  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

  Adoption of the standard did not have a significant impact on the consolidated financial statements because the following revenue transactions of the Group are outside the scope of PFRS 15:

    - Dividend income from investees, financial assets at FVTPL and equity securities at FVOCI
    - Interest income from investments in debt securities at FVOCI and short-term placements
    - Rental income from leases to third parties

- Amendments to PAS 40, *Investment Property*, Transfers of Investment Property

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

  Since the Group's current practice is in line with the clarifications issued, the amendments do not have significant impact on the Group's consolidated financial statements upon adoption of these amendments.

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

  Adoption of these amendments did not have any impact on the Group's interim condensed consolidated financial statements.

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

  The amendments do not have significant impact on the Group's interim condensed consolidated financial statements upon their adoption since the Group's current practice is in line with the clarifications issued.

New Standards and Interpretation Issued and Effective after December 31, 2018

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after 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 qualifies 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. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

  These amendments have 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.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Group is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date.

- 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 the 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; and

  - Determine the 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 consolidated statements of income. 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 consolidated statements of comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted.

  The Group is currently assessing the impact of adopting these amendments.

- 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. The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted.

  The Group is currently assessing the impact of these amendments.

- 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 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

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of this interpretation.

- 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 are currently not applicable to the Group but may apply to future transactions.

  - 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 consolidated statements of income, consolidated statements of 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 permitted.

These amendments are not relevant to 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 are not applicable to the Group since the Group does not have any borrowing costs.

Financial Instruments *(Upon Adoption of PFRS 9)*

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 the consolidated statements of income.

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.

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.

As of December 31, 2018, the Group has debt instruments at FVOCI amounting to ₱260.9 million (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.

As of December 31, 2018, the Group elected to classify irrevocably its quoted equity securities under this category amounting to ₱132.6 million (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 recognized in the consolidated statements of comprehensive income.

This category includes listed equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as 'Dividend income' in the consolidated statements of comprehensive income when the right of payment has been established.

As of December 31, 2018, the Group has financial assets at FVTPL amounting to P205.9 million (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).

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.

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.

Contractual Cash Flows Assessment (Upon Adoption of PFRS 9)
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 (Upon Adoption of PFRS 9)
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.

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

4. Cash and Cash Equivalents

	September, 2019	December, 2018
Cash on hand and with banks	**₱80,244,076**	₱57,082,264
Short-term placements	**571,911,595**	514,288,762
	₱652,155,671	₱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. Interest income earned from these bank deposits and short-term placements amounted to ₱12 million and ₱13.6 million in September, 2019, and December, 2018, respectively.

5. 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 net unrealized losses on fair value changes amounting to ₱17 million and net unrealized gains on fair value changes amounting to ₱23.5 and ₱17.4 million in September , 2019 and December, 2018 , respectively.

Net cumulative unrealized gains on financial assets at FVTPL amounted to P29.8 million and ₱44.0 million as of December 31, 2018 and 2017, respectively.

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

	September , 2019	December, 2018
Cost:		
Balances at beginning of year	₱176,101,738	₱108,758,965
Additions	10,732,403	67,342,773
Disposals	7,493,159	–
Balances at end of year	179,340,982	176,101,738
Changes in fair value:		
Balances at beginning of year	29,795,774	43,958,734
Fair value gains (losses)	14,950,536	(14,162,960)
Disposals	–	–
Balances at end of year	44,746,310	29,795,774
	₱224,087,292	₱205,897,512

Dividend income earned on investments in financial assets at FVTPL amounted to P4.1 million in September ,2019 and ₱3.0 million in December, 2018 presented as "Dividend income" in the consolidated statements of income.

The Group recognized gain on disposal of financial asset at FVTPL amounting to ₱1.1 million in September, 2019 and nil in December, 2018 respectively.

6. Receivables

	September , 2019	December, 2018
Accrued interest	₱7,099,855	₱7,447,413
Rent receivable (see Note 21)	205,702	618,895
Others	1,191,731	177,441
	8,497,288	8,243,749
Less allowance for impairment losses	961,368	961,368
	₱7,535,920	P7,282,381

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

7. Investments in Associates

	September, 2019	December, 2018
Acquisition costs	₱193,760,135	₱193,760,135
Accumulated equity in net earnings and OCI:		
Balances at beginning of year	221,283,475	221,283,475
Share in net income of associates	(22,101,898)	(13,972,203)
Share in OCI of associates	8,210,945	8,210,945
Dividends declared by associates	(44,746,750)	(44,746,750)
Cumulative translation adjustment	13,757,839	13,757,839
	176,403,611	184,533,306
	370,163,746	378,293,441
Accumulated allowance for impairment loss	(94,830,129)	(94,830,129)
	₱275,333,617	₱283,463,312

The Group has equity interest in the following associates as of September 30, 2019 and December 31,2018:

	Country of Incorporation	Percentage of Ownership	Carrying Amount of Investments	
			Sept. , 2019	December, 2018
PTC	Philippines	30%	₱213,708,088	₱225,166,018
BPO	Philippines	35%	61,625,529	61,625,529
MUDC	Philippines	43%	–	–
			₱275,333,617	₱286,791,547

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 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 shall be payable before June 30, 2018. A cash dividend amounting to ₱15.7 was received in June, 2019.

The Group's share in the dividends declared amounted to nil and ₱32.5 million , ₱30.8 million and nil in 2018, 2017 and 2016, respectively..

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 12, 2018, BPO declared cash dividend amounting to ₱35.0 million or ₱44.87 per share of the outstanding stocks as of record date December 12, 2018. Dividends shall be payable on or before August 31,2019.

MUDC

The Group has a 43% interest in MUDC. As of September 30, 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 September 30, 2019 and December 31, 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 September 30, 2019 and December 31, 2018, MUDC has incurred significant losses, which resulted in capital deficiency amounting to ₱257.2 million.

The Group has investment in MUDC amounting to ₱94.8 million as of September 30, 2019 and December 31, 2018 and advances to MUDC amounting to ₱125.6 million as of September 30, 2019 and December 31, 2018. The Group has assessed that its investment in MUDC amounting to ₱94.8 million as of September 30, 2019 and December 31, 2018 and its advances to MUDC amounting to ₱ 125.1 million as of September 30, 2019 and December 31, 2018 are impaired since management believes that it will no longer recover from such investment and advances. Management is not required to infuse more capital to MUDC and that losses are limited to the invested additional advances as of September 30, 2019.

8. Financial Assets at FVOCI and AFS Financial Assets

	September , 2019	December, 2018
Quoted:		
Debt securities - at fair value, net of allowance for impairment loss of ₱2.1 million in 2018	**₱227,072,027**	₱260,853,437
Equity securities	**128,755,077**	132,605,290
Unquoted equity securities	**16,830,735**	36,413,677
	372,657,839	429,872,404
Less current portion	**1,472,239**	6,945,819
	₱371,185,600	₱422,926,585

Movements in financial assets at FVOCI/AFS financial assets are as follows:

	September, 2019	December, 2018
Balance at January 1, 2018, as previously reported	**₱–**	**₱–**
Effect of adoption of PFRS 9:		
Reclassification from AFS financial assets to financial assets at FVOCI	**521,351,608**	**22,141,284**
Balance at January 1, 2018, as restated	**521,351,608**	**1,008,589**
Additions	**10,453,442**	**(61,004,886)**
Changes recognized in profit or loss		**(53,624,191)**
Movements in net unrealized valuation gain (loss)	**(94,501,936)**	**₱429,872,404**
Disposals	**(65,117,514)**	**521,351,608**
Balances at end of year	**₱372,185,600**	**521,351,608**

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 2.71% to

10.02% in 2018 and 2.71% to 13.63% in 2017 and 2016. 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, 2018 and 2017. 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/AFS financial assets are as follows:

	2018	2017
Balance at January 1, 2018, as previously reported	₱–	₱23,302,261
Effects of adoption of PFRS 9:		
Reclassification of net unrealized valuation gains on AFS financial assets to financial assets at FVOCI	71,224,828	
Expected credit losses	2,015,029	–
Balance at January 1, 2018, as restated	73,239,857	23,302,261
Changes in fair value	(49,972,652)	54,335,503
Expected credit losses	754,082	–
Disposals	(41,474)	(6,412,936)
Balances at end of year	₱23,979,813	₱71,224,828

Allowance for impairment losses on financial assets at FVOCI debt instruments/AFS financial assets amounted to ₱2.1 million as of December 31, 2018 and 2017.

Net unrealized valuation gains on financial assets at FVOCI attributable to equity holders of the Parent Company amounted to ₱6.8 million in 2018 and net unrealized valuation gains on AFS financial assets attributable to equity holders of the Parent Company amounted to ₱63.1 million as of December 31, 2017.

Interest earned on debt securities classified as financial assets at FVOCI amounted to ₱19.5 million in 2018 and interest earned on debt securities classified as AFS financial assets amounted to ₱22.0 million and ₱21.8 million in 2017 and 2016, respectively, presented as "Interest income" in the consolidated statements of income.

Dividend income earned on equity securities classified as financial assets at FVOCI amounted to ₱0.7 million in 2018 and dividend income earned on equity securities classified as AFS financial assets amounted ₱1.0 million in 2017 and 2016.

The Group disposed certain financial assets at FVOCI and recognized loss from disposal amounting to ₱1.3 million in 2018 and gains from disposal of AFS financial assets amounting to ₱2.2 million and ₱4.3 million in 2017 and 2016, respectively.

9. HTM Investments

On April 4, 2014, the Group sold HTM investments with a carrying value of ₱17.8 million resulting to a gain from disposal amounting to P0.2 million. Consequently, the remaining portfolio of HTM investments with a carrying amount of P213.9 million was reclassified to AFS financial assets and was remeasured at fair value. The fair value gain from remeasurement amounting to ₱4.5 million was recognized in OCI.

In 2017, all HTM investments of the Group were sold resulting to gain on disposal of HTM investments amounting to P0.2 million recognized in profit or loss.

10. Property and Equipment

	Condominium	Condominium Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	June, 2019 Total
Cost:					
Balances at beginning of year	₱20,755,943	₱8,764,062	₱10,263,079	₱2,865,479	₱42,648,563
Additions				4,030	4,030
Balances at end of year	₱20,755,943	₱8,764,062	₱10,263,079	₱2,869,509	₱42,652,593
Accumulated depreciation:					
Balances at beginning of year	15,152,152	8,387,280	7,337,618	2,844,432	33,721,482
Depreciation	622,676	242,916	431,887	5,579	1,303,058
Balances at end of year	15,774,828	8,630,196	7,769,505	2,850,011	35,024,540
Net book values	4,981,115	133,866	2,493,574	19,498	7,628,053

	Condominium	Condominium Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	December 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		(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	32,721,482
Net book values	5,603,791	376,782	2,925,461	21,047	8,927,081

Cost of fully depreciated property and equipment that are still in use amounted to P15.3 million in September, 2019 and December, 2018.

11. Investment Properties

	Land	Condominium	Sept., 2019 Total
Cost:			
Balances at beginning of year	₱46,319,625	₱395,565,125	₱441,884,750
Additions		189,874	189,874
Balances at end of year	₱46,319,625	₱395,754,999	₱442,074,624
Accumulated depreciation:			
Balances at beginning of year	–	41,987,196	41,987,196
Depreciation		6,594,777	6,594,777
Balances at end of year		48,581,973	48,581,973
Net book values	₱46,319,625	₱347,173,026	₱393,492,651

	Land	Condominium	December 2018 Total
Cost:			
Balances at beginning and end of year	₱46,319,625	₱215,815,620	₱262,135,245
Additions	–	179,490,576	179,490,576
Transfer from property and equipment		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 are being leased to third parties and other related parties as office space. The investment properties generated revenue amounting to ₱18.5 million, and P23.2 million in September, 2019, and December, 2018 respectively.

The assessed fair value of the investment properties amounted to ₱1,295.3 million and P512.2 million as of September 30, 2019 and December, 2018. The fair values of the investment properties are based on valuations performed by an accredited independent valuer. The valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

The Group used the Sales Comparison Approach in determining the fair value of the investment properties. 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 appraiser gathers 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 fair value is estimated under Level 3 inputs. The significant unobservable inputs to valuation of investment properties ranges from ₱70,000 - ₱380,000 per square meter.

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.

Rent income arising from operating lease on investment properties amounted to ₱18.9 million and ₱23.1 million in September, 2019, and December, 2018, respectively. .

12. Other Noncurrent Assets

	Sept., 2019	December, 2018
Others	13,801,522	-
Deposits	581,080	743,580
	₱14,382,602	₱743,580

13. Accounts Payable and Accrued Expenses

	Sept., 2019	December, 2018
Deposits payable	₱7,281,036	₱7,041,272
Accounts payable	418,003	1,475,318
Accrued professional fees	144,806	1,149,942
Government payables	1,137,584	445,706
	₱8,981,429	₱10,112,238

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

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

14. Income Taxes

The Group's provision for current income tax in 2018, 2017, and 2016 are as follows:

	2018	2017	2016
RCIT	₱3,618,264	₱10,788,556	₱7,213,243
Final tax on interest income	2,446,789	2,609,051	2,987,702
MCIT	–	–	–
Stock transaction tax (STT) on disposal of financial assets at FVPL	–	–	–
	₱6,065,053	₱13,397,607	₱10,200,945

15. Equity

a. Common Stock

In accordance with SRC Rule 68, as Amended (2011), Annex 68-D, 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:

	September, 2019	December 31, 2018
Common stock - ₱1 par value		
Class A		
Authorized - 600 million shares		
Issued - 292,610,118 shares	₱292,610,118	₱292,610,118
Class B		
Authorized - 400 million shares		
Issued - 189,217,535 shares	189,217,535	189,217,535
	₱481,827,653	₱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 share 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:			

	Number of Shares	Exercise Periods	Expiration Dates
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		
(Forward)			
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 474 stockholders as of September 30, 2019, and December 31, 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 2017, PIEI purchased 239,560 additional shares of the Parent Company with a total cost of ₱1.3 million. These are composed of 159,260 Class A shares and 80,300 Class B shares, costing ₱0.9 million and ₱0.4 million, respectively.

As of September 30, 2019 and December 31, 2018, the Group's treasury shares are as follows:

	Shares		Amount	
	Sept., 2019	December, 2018	**Sept., 2019**	December, 2018
Balance at beginning of year	97,874,,387	97,874,,387	₱100,946,956	₱100,946,956
Additions	168,000	168,000	830,320	830,320
Balance at end of year	98,042,387	98,042,387	P101,777,276	P101,777,276

c. Retained Earnings

Retained earnings is restricted to the extent of the acquisition price of the treasury shares amounting to ₱101.8 million as of September 30, 2019 and December 31, 2018, respectively. Retained earnings is also restricted to the extent of equity in net earnings of the associates not declared as dividends as of reporting date.

The balance of retained earnings includes the accumulated equity in net earnings of the subsidiaries and associates amounting to ₱1,045.08 million as at September 30, 2019 and December 31, 2018, respectively. Such amounts are not available for distribution until such time that the Parent Company receives the dividends from the subsidiaries and associates.

Dividends payable amounted to ₱4.6 million and ₱5.1 million as of September 30, 2019 and December 31, 2018, respectively.

16. 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.

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	**September, 2019**	**₱ (125,548)**	**₱18,338**	30 days;	Unsecured;
	December 2018	1,385,721	143,886	noninterest-bearing	Unimpaired
			–		
Payroll services expense	**September , 2019**	**18,595**		30 days;	Unsecured;
	December 2018	123,543	–	noninterest-bearing	Unimpaired
Dividends (see Note 8)	**September, 2019**		**8,815,680**	30 days;	Unsecured;
	December 2018	12,250,000	15,749,974	noninterest-bearing	Unimpaired
PTC					
Dividends (see Note 8)	**September, 2019**			30 days;	Unsecured;
	December 2018	32,496,750	–	noninterest-bearing	Unimpaired
MUDC					
Advances	**September , 2019**	**55,046**	**601,127**	30 days;	Unsecured;
	December 2018	(1,956,805)		noninterest-bearing	Impaired

		Transactions during the year	Outstanding balances	Terms	Conditions
Under common control:					
Other related parties					
Advances	**September , 2019**	**11,757**	**177,706**	30 days:	Unsecured:
	December 2018	7,310	360,406	noninterest-bearing	Impaired
	September, 2019		**₱9,612,851**		
	December, 2018		16,254,266		

The related party transactions are settled in cash.

Movement in the allowance for impairment losses on due from related parties are as follows:

	September, 2019	December, 2018
Due from related parties - at gross	P204,914,208	P204,914,208
Less Allowance for impairment loss:		
Balances at beginning of year	188,797,524	188,797,524
Recovery of allowance for impairment losses	(137,582)	(137,582)
Balances at end of year	188,7659,942	188,7659,942
	₱16,254,266	₱16,254,266

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

17. Earnings per Share

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

	September,2019	December,2018
Net income attributable to equity holders of the parent	**₱30,038,706**	₱12,088,289
Weighted average number of ordinary shares outstanding for basic and diluted EPS	384,033,808	384,033,808
Basic and diluted earnings per share	P0.078	P0.03

The Group has no potential dilutive instruments issued as of September 30, 2019 and December 31, 2018.

18. 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.

19. Commitments and Contingencies

a. The Group leases a portion of its condominium spaces. The Group recognized rental income amounting to ₱18.9 million, and P23.1 million in September , 2019, and December, 2018, respectively. Future minimum rental income of ₱13.5 million from existing rental agreements will be recognized in 2019 and 2020. The lease agreements have terms of one to two years and can be renewed upon the written agreement of the Group and the lessees. Deposit payable made by the tenants amounting to ₱7.2 million and ₱7 million as of September 30, 2019 and December 31, 2018, respectively, will be returned to the lessees after the lease term (see Note 12).

b. As of September 30, 2019 and December 31, 2018, the Group recognized provision for legal obligation amounting to ₱5.0 million, for claims arising from lawsuit filed by a third party, which is awaiting decision by the courts. Probable cost has been estimated in consultation with the Group's legal counsel. Management and its legal counsels believe that the 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 Group's financial position and results of operations.

20. Fair Value of Financial Instruments

Set out below is a comparison, by class, of the carrying amount, and fair value of the Group's financial instrument, other than those with carrying amount that are reasonable approximation of fair values:

	September , 2019		December, 2018	
	Carrying Amount	Fair Values	Carrying Amount	Fair Values
Financial assets at FVTPL	₱224,087,292	₱224,087,292	₱205,897,512	₱205,897,512
Financial assets @ FVOCI				
Debt securities	₱225,599,788	₱225,599,788	₱253,907,618	₱253,907,618
Equity securities	128,755,077	128,755,077	132,605,290	132,605,290
Unquoted securities	16,830,735	16,830,735	36,413,677	36,413,677
Current equity securities	1,472,239	1,472,239	6,945,819	6,945,819
	₱596,745,131	₱596,745,131	₱635,769,916	₱635,769,916

The Group has determined that the carrying amounts of cash and cash equivalents, receivables, due from related parties, accrued expenses and other liabilities 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 FVPL and quoted AFS financial assets are based on price quotations at the reporting date. These financial instruments are classified as Level 1 in the fair value hierarchy.

As of September 30, 2019 and December 31, 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.

21. Changes in Liabilities Arising from Financing Activities

The following shows the changes in the Group's liabilities arising from its financing activities for the three months period January 1 to September 30, 2019:

	As at December 31, 2018	Cash flows	Dividend declaration	As at September 30,2019
Dividends payable (Note 15)	₱5,139,021			₱4,626,813

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY
AGING OF ACCOUNTS RECEIVABLE
AS OF SEPTEMBER 30, 2019

Name	Beginning Balance	Additions	Deductions		Current 30 days	60 days or over	Over 120 days	Ending Balance
			Amount Collected	Amount Written-Off				
Magellan Capital Realty Development Corp.	33,717	12,317				11,257	34,777	46,034
Magellan Capital Corporation	311,530	11,757				11,257	312,030	323,287
Magellan Capital Trading Corporation	34,717	12,317				11,257	35,777	47,034
Magellan Utilities Development Corp.	0							0
Business Process Outsourcing International	24,558,634	1,191,357	16,915,973			8,815,680	18,338	8,834,018
Pinamucan Power Corporation	17,205	500					17,705	17,705
Pointwest Technologies Corporation	0	7,560	7,560					0
Philippine Deposit Insurance Corporation								
Others								
	24,955,803	1,235,808	16,923,533			8,849,451	418,627	9,268,078