

FJP

2020

Management Report

F & J Prince Holdings Corporation

STOCK TRADING PRICE INFORMATION

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

The high and low prices for each quarter within the last two (2) fiscal years and 1st quarter of 2021 are as follows:

QUARTER; YEAR	CLASS "A"		CLASS "B"	
	High	Low	High	Low
1 st Quarter, 2019	5.28	4.02	5.20	4.50
2 nd Quarter, 2019	4.50	3.90	5.18	4.50
3 rd Quarter, 2019	4.86	3.58	5.20	5.20
4 th Quarter, 2019	4.50	3.01	3.61	3.43
1 st Quarter, 2020	3.77	3.25	3.81	3.61
2 nd Quarter, 2020	4.08	2.77	-	-
3 rd Quarter, 2020	3.80	2.82	3.83	3.83
4 th Quarter, 2020	3.80	2.90	3.83	3.40
1 st Quarter, 2021	3.47	2.75	4.61	2.61
2 nd Quarter, 2021	3.20	2.95	3.30	3.30

Note 1: Dividends amounting to ₱0.10 per share were declared and paid out in 2020. Dividends of ₱0.20 per share were declared and paid by the company in 2020.

Note 2: Class "A" shares may be owned only by Filipino citizens while Class "B" shares may be owned by Filipino citizens as well as foreigners.

Note 3: Latest market price traded was ₱3.20 per share for Class "A" shares transacted on July 30, 2020; and ₱3.80 per share for Class "B" shares transacted on March 8, 2020.

Number of Shareholders

As of June 15, 2020, the Registrant had Four Hundred Seventy (470) stockholders of record, as follows: Class "A" shares – Four Hundred Thirty Three (433) shareholders; Class "B" shares – Forty Two (42) shareholders; and shareholders owning both Class "A" and "B" – Seven (7) shareholders.

Dividends

Dividends amounting to ₱0.10 per share were declared and paid in 2020. Dividends of ₱0.20 per share were declared and paid in 2019.

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

F & J Prince
Holdings Corporation

**Management
Report**

**Annual
Stockholders'
Meeting**

September 17, 2021

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REPORT OF THE CHAIRMAN AND PRESIDENT

The Registrant's consolidated revenue in 2020 increased to ₱111.8 million from ₱103.3 million in 2019. Equity in net earnings of associates improved to ₱32.1 million in 2020 from ₱5.3 million in 2019 as Pointwest generated a profit of \$1.5 million in 2020 after reporting losses in 2019 and 2018 due to the loss of a major account and revenue reduction from another major account. At the same time, Business Process Outsourcing International (BPOI), the Registrant's other associate showed lower earnings of ₱26.3 million in 2020 from ₱62.8 million in 2019 due mainly to higher expenses caused by the Covid-Pandemic. Interest income decreased to ₱21.2 million in 2020 from ₱36.3 million in 2019 as interest levels have gone down due to monetary easing by monetary authorities. A net foreign exchange loss of ₱28.2 million was recorded in 2020 versus a loss of ₱22.8 million in 2019 as the Peso improved against foreign currencies which penalized the foreign exchange denominated bonds and other securities held by the Registrant and its subsidiary. Rent decreased slightly from ₱25.1 million in 2019 to ₱23.3 million in 2020 due to higher vacancy. Gain on disposal of AFS, HTM and FVPL Financial Assets of ₱21.9 million was recorded in 2020 versus ₱3,435 in 2019. Dividend income decreased to ₱3.7 million in 2020 from ₱4.9 million in 2019. Fair value gain on Financial Assets at FVPL was ₱1.3 million in 2020 compared to ₱27.7 million in 2019 as prices of listed securities improved slightly in 2020.

Total consolidated expenses of the Registrant increased to ₱65.8 million in 2020 compared to ₱59.6 million in 2019 due mainly to higher foreign exchange losses.

As a result of the above, total consolidated income before tax in 2020 totaled ₱46.1 million compared to ₱43.7 million in 2019. After provision for income tax, total consolidated net income after tax totaled ₱43.4 million in 2020 compared to ₱33.6 million in 2019.

Net income attributable to non-controlling interest, namely minority shareholders of Magellan Capital Holdings Corporation, totaled ₱0.4 million in 2020 compared to ₱1.4 million in 2019.

Net income attributable to equity holders of the Registrant totaled ₱43.0 million in 2020 compared to ₱32.2 million in 2019.

The Registrant's financial position is very strong as it has substantial cash resources available to undertake its planned projects. As of December 31, 2020, the Registrant's consolidated cash and cash equivalent totaled over ₱523.5 million compared to ₱582.3 million as of December 31, 2019. The Registrant and its subsidiary are planning to undertake development of MCHC's land in Fort Bonifacio into an office building as well as to acquire income producing properties as well as additional land for development. The Registrant and its subsidiary are debt free with total consolidated liabilities of ₱38 million at year-end 2020 compared to ₱51.7 million at year-end 2019. Total equity

amounted to ₱1.9 billion as of the end of 2020 substantially the same level as at the end of 2019.

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 2020 totaled ₱523.5 million compared to ₱582.3 million at the end of 2019 while total current assets totaled ₱751.7 million at year-end 2020 compared to ₱888.1 billion at year-end 2019. 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.

The following is a detailed discussion of the company direct and indirect subsidiaries and its affiliated associates:

MAGELLAN CAPITAL HOLDINGS CORPORATION (MCHC)

Magellan Capital Holdings Corporation (MCHC), your Company's 95% owned subsidiary, is involved in the development of and investment in infrastructure and power generation projects. Established in 1990, MCHC has ₱689 million in paid-in capital and ₱1,800.2 million in consolidated shareholders' equity as of December 31, 2020. After the acquisition of the block of shares owned by PSEG Philippine Holdings LLC. in December 2006, your Company owns 95% of the outstanding shares of MCHC and effectively controls and manages MCHC.

MCHC was until December 2006, 28% owned by PSEG Philippine Holdings LLC, a unit of the Public Service Enterprise Group (PSEG), the largest energy holding company in New Jersey and one of the largest in the United States.

MCHC's total consolidated assets at year-end 2020 was ₱1,857.6 million compared to ₱1,905 million at end of 2019. The primary reason for the decrease was the reduction in Financial Assets due to Net Financial Assets at FVOCI.

MCHC's consolidated revenues for the year 2020 totaled ₱94.3 million compared to ₱84.3 million in 2019. Most of the increase was accounted for by Fair Value Gains on Financial Assets at FVPL which turned from a loss of ₱13.1 million in 2018 to a gain of ₱28.1 million due to recovery in the prices of listed stocks and bond investments held by the Registrant and its subsidiaries. Consolidated expenses went down to ₱34.5 million in 2020 from ₱39.3 million in 2019 due mainly to lower tax and licenses. As a result of the above, net income after tax rose to ₱59.8 million in 2020 from ₱44.9 million in 2019. Net income after tax rose to ₱48.5 million in 2020 from ₱59.8 million in 2019.

The President and CEO of MCHC is Mr. Robert Y. Cokeng, who is also President of your Company.

MCHC owns 43% of Magellan Utilities Development Corporation (MUDC) which is discussed below. MCHC also owns the entire fifth floor of the Citibank Center Building in Makati as well as three (3) units in

the adjacent Citibank Tower Building. It has also acquired one floor in the JMT Condominium Building in Ortigas Center. Almost half of the floor in Citibank Center is used by your Company as well as MCHC and its subsidiaries as its corporate offices. One unit is leased to Business Process Outsourcing International, a 35% owned affiliate of the Company. The other two units available for lease have also been rented out. The condo units in the Citi Tower Building are also currently leased out. MCHC also owns a 985 square meter lot in Fort Bonifacio that it intends to develop into an office building. However, because of the current pandemic, construction of the building may be postponed to next year. MCHC has also recently acquired three condominium units in Two Roxas Triangle in Makati for investment purposes.

MAGELLAN UTILITIES DEVELOPMENT CORPORATION (MUDC)

Magellan Utilities Development Corporation (MUDC) is an MCHC project company developing a 320 MW Power Project in Pinamucan, Batangas. MCHC directly owns 43% of MUDC. GPU Power Philippines, Inc., a unit of GPU Corporation (GPU), former U.S. parent company of the Manila Electric Company (MERALCO), owns 40% of MUDC. MERALCO was established by a predecessor company of GPU during the American colonial era and was a wholly owned subsidiary of GPU until 1962 when MERALCO was acquired by a Lopez - led investor group.

With the continued uncertainty over the project being developed by MUDC, MUDC at the urging of its outside auditors had in 2004 written-off all its project development expenditures. It had in 2003 already written-off all pre-operating expenses as dictated by new accounting standards that became effective in 2003. With these write-offs, MUDC now has negative equity of ₱257 million as of year-end 2015. In 2005, your Company decided not to continue development of the project. Your Company's exposure including those of MCHC and its subsidiary, Pinamucan Industrial Estates, Inc., in the project have been provided for and will not have any impact on the Company's financial position. MCHC, along with other shareholders of MUDC, will evaluate the future course of action for MUDC, including possible liquidation.

POINTWEST TECHNOLOGIES CORPORATION (PTC)

PTC is a global service company offering outsourced IT services in the Philippines. It is led by an experienced management team that helped pioneer offshore outsourcing in the Philippines. The registrant is a founding shareholder of PTC and owns 30% of its equity. Among others, PTC offers software servicing, maintenance, testing, and development to various clients mostly in the United States. It started operations in 2003 and had built up to a staffing level of over One Thousand (1,000) IT Professionals and Support staff. But recent restructuring due to loss of two major accounts has reduced staffing level to below One Thousand. PTC's consolidated revenue in 2019 reached over Fourteen Million US Dollars (\$14 Million). Net loss of PTC was reduced by half to \$1.0 Million in 2019 from \$2 Million in 2018 as its retrenchment bore results. In 2020, PTC registered a net income of \$1.5 Million on revenue of \$14.4 Million reversing the losses incurred in the previous two years.

BUSINESS PROCESS OUTSOURCING INTERNATIONAL, INC. (BPOI)

Business Process Outsourcing International, Inc. (BPOI) is a provider of accounting and finance related services such as payroll services, internal audit, payables processing and others. It has a total staff of over 400 servicing many of the multinational and large corporations operating in the country. BPOI was spun off from the BPO Department of SGV & Co., the biggest auditing firm in the country.

Your Company owns 35% of BPOI after it acquired another 8.75% in 2005. BPOI revenues in 2020 exceeded ₱411 million and it has a staff of over 400 accountants and support staff. Net income dropped to ₱26.3 Million in 2020 from ₱62.8 Million in 2019 due to expenses brought about by the covid pandemic.

CONCLUSION

Your Company generated a consolidated net income of ₱33.7 million in 2020 compared to a net income of ₱13.1 in 2019. The main reason was equity in net earnings of associates which went from net loss of ₱14.2 million in 2018 to equity in net earnings of associates of ₱5.30 million in 2019. Pointwest Technologies, your company's 30% owned associates, reduced its losses in 2019 as its retrenchment efforts bore fruit. An improvement in net income of BPO International, your company's 35% owned affiliate, was enough to offset the losses at Pointwest resulting in an equity in net earnings of ₱5.3 million in 2019.

A net foreign exchange loss of ₱22.9 million was recorded in 2020 versus a foreign exchange gain of ₱31.6 million in 2019 as the Peso improved against foreign currencies which penalized the foreign exchange denominated bonds and other securities owned by the Registrant and its subsidiaries.

As a result of the above and dividend payments made in 2019, total consolidated equity attributable to equity holders of the Registrant decreased to P1,780 million at year-end in 2019 compared to ₱1,844.7 million at year-end 2018.

The Company and its subsidiary has been increasing its investment in income producing properties in the last few years. Its subsidiary, MCHC, will also develop its lot in Fort Bonifacio into an office building generating lease income. However, construction of the building is being deferred due to the covid-19 pandemic.

With the support of the Directors, Officers, Staff and Shareholders, we look forward to the Company's future prospects and continued success. We again reiterate our thanks to the Shareholders for their continued support.



ROBERT Y. COKENG
Chairman & President

BUSINESS AND GENERAL INFORMATION

A. BUSINESS DEVELOPMENT

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

On 28 July 1997, the Registrant's primary purpose was changed to that of a holding company. At present, the Registrant holds a 94.34% majority interest in Magellan Capital Holdings Corporation (“MCHC”).

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

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

Business Development of the Registrant's Subsidiaries

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

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

NAME OF COMPANY	DATE OF INCORPORATION	PRIMARY PURPOSE
Pinamucan Industrial Estates, Inc.	05 May 1993	Real Estate holding and Development
Malabrigo Corporation	31 August 1993	Mining
Magellan Capital Trading, Inc.	04 January 1991	Trading
Magellan Capital Realty Development Corporation	14 November 1990	Realty

From its incorporation to the present, none of the Registrant's above-named subsidiaries have been subject to any bankruptcy, receivership or similar proceedings. There has also been no material

reclassification, merger, consolidation, or purchase or sale of a significant amount of their assets other than in the ordinary course of business.

Business of Registrant

Description of Registrant

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

Percentage of Consolidated Total Revenues

Breakdown of Revenues for the year 2020

	CONSOLIDATED TOTAL REVENUES	PERCENTAGE BREAKDOWN
Equity in Net Earnings (Losses) of Associates	₱ 32,071,045	28.7%
Interest Income	21,230,126	19.0%
Gain on Disposal of AFS, FVPL and HTM Financial Assets	21,917,315	19.6%
Rent	23,332,404	20.9%
Dividend Income	3,654,824	3.3%
Fair Value Gain (Loss) on Financial Assets of FVPL	1,291,073	1.1%
Gains on Disposal of Property and Equipment	363,762	0.3%
Gains (Losses) on Disposal of Financial Assets at FVOCI	(2,117,380)	(1.9%)
Others	10,102,064	9.0%
Total	₱ 111,845,233	100.00%

Breakdown of Revenues for the year 2019

	CONSOLIDATED TOTAL REVENUES	PERCENTAGE BREAKDOWN
Equity in Net Earnings of Associates	₱ 5,344,072	5.2%
Interest Income	36,276,019	35.1%
Gain on Disposal of AFS and FVPL Financial Assets	3,435	-
Rent	25,140,621	24.3%)
Dividend Income	4,856,887	4.7%
Fair Value Gain on Financial Assets at FVPL	27,685,974	26.8%
Gain on Disposal of Financial Assets at FVOCI	3,915,722	3.8%)
Others	78,240	0.1%
Total	₱ 103,300,970	100.00%

The Registrant's consolidated revenue in 2020 increased to ₱111.8 million from ₱103.3 million in 2019. Equity in net earnings of associates increased from ₱5.3 million in 2019 to ₱32.1 million in 2020 as Pointwest Technologies Corporation improved its earnings performance in 2020. Rent decreased from ₱25.1 million in 2019 to ₱23.3 million in 2020 due to some Lessors ending their Leases. Gain on disposal of Financial Assets at FVPL was ₱21.9 million in 2020 compared to ₱3,435 in 2019. Dividend income decreased to ₱3.6 million in 2020 from ₱4.8 million in 2019. Fair value gain on Financial Assets at FVPL was ₱1.3 million in 2020 compared to ₱27.7 million in 2019. Loss on disposal of Financial Assets at FVOCI was ₱2.1 million compared to a gain of ₱3.9 million in 2019.

B. PRINCIPAL PRODUCTS AND SERVICES OF MCHC

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

(a) Power Generation Project Companies

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

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

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

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

were also fully provisioned. Thus, the Registrant's remaining exposure to the MUDC project is minimal (about ₱2.1 million) at the end of 2015.

(b) Real Estate Holding and Development Companies

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

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

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

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

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

PTC is a global service company offering outsourced IT services from the Philippines. It is led by an experienced management team that helped pioneer offshore outsourcing in the Philippines. The Registrant is a founding shareholder of PTC and owns 30% of its equity. Among others, PTC offers software servicing, maintenance, testing, and development to various clients mostly in the United States. It started operations in 2003 and had built up to a staffing level of over One Thousand (1,000) IT professionals and Support Staff. But recent restructuring due to loss of two major accounts has reduced staffing level to about 500. PTC's consolidated net income in 2020 reached over US\$ 1.5 Million US Dollars on revenues of \$14.4 Million reversing the losses incurred in the previous two years.

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

BPOI is a provider of finance and accounting services such as payroll services, internal audit, payables processing and other accounting based services. It has a total of over 600 employees servicing many of the large multinationals operating in the country. BPOI was spun off from the BPO department of SGV & Co, the biggest auditing firm in the country. The Registrant is a major shareholder of BPOI with a 35% ownership stake. BPOI's net income dropped to ₱26.3 million in 2020 on revenue of ₱411.4 Million from ₱62.8 million in 2019 on revenue of ₱437.8 Million due mainly to higher expenses to cope with the Covid-Pandemic and measures to safeguard the health of its employees while continuing to operate.

Competition

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

Transactions with and/or Dependence on Related Parties

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

Patents, Trademarks, Copyrights, Etc.

As previously stated, other than for MUDC's power supply agreement with MERALCO and Memorandum of Understanding with SPEX, there are no patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts and the like, owned by or pertaining to the Registrant and its subsidiary, MCHC.

Costs and Effects of Compliance with Environmental Laws

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

Employees

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

Risk of the Business of the Registrant and Subsidiaries

1. Pointwest Technologies Corporation (PTC)

PTC would face the normal risks faced by an IT services company serving mostly foreign clients. These risks include: 1) the risk that PTC may not find or retain clients; 2) some contracts are on non-recurring basis and may not be renewed; 3) risk of contract dispute in case of customer dissatisfaction with the services provided; 4) risk of non-collection of receivables due to contract dispute or to financial problems of customers; 5) high staff turnover which may affect service quality; 6) ability to recruit and retain qualified IT professionals; (7) change in foreign exchange rates that may affect the operating margin of its businesses.

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

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

5) high staff turnover which may affect service quality; 6) ability to recruit and retain qualified accounting and finance professionals.

3. Portfolio Investments

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

Other Interests

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

The Registrant and Pinamucan Industrial Estates, Inc. (PIEI) have also invested in Aslan Pharmaceuticals Limited (Aslan), a biotech company focused on development of immunotherapies and targeted agents for Asia prevalent tumor types. The Registrant owns 936,000 shares while PIEI owns 1,497,388 shares of Aslan. Aslan’s shares was listed in the Taipei Exchange on June 1, 2017 and its ADR ‘s were listed in NASDAQ in May of 2019.

Other than MUDC’s power supply agreement with MERALCO and Memorandum of Understanding with SPEX, there are no patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts and the like owned by or pertaining to the Registrant and its subsidiary, MCHC. Also, no substantial expenditures have been made for research and development activities for the past three (3) years.

PROPERTIES

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

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

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

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

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

(a) Condominium Units

MCHC owns five (5) office condominium units which comprise the entire 5th Floor of the Citibank Center building, located at 8741 Paseo de Roxas, Makati City, including five (5) appurtenant parking units, *per* a Deed of Sale executed on 26 April 2000. Three of the five units are being leased out and two units are used as the corporate offices of the Registrant and its subsidiaries. MCHC also owns an office condominium unit on the 25th Floor and two condominium units on the 16th Floor of the Citibank Tower Building in Makati (acquired in December 2014) and ten parking slots which are being leased out at prevailing commercial rates. MCHC also acquired in early 2017 one whole floor of the JMT Condominium Building in Ortigas Center. In 2018, MCHC has also acquired three condominium units in Two Roxas Triangle which were under construction and are expected to be turned over in 2021 and one residential condominium unit in Arya Residences in BGC which is currently leased out.

(b) Office Properties

MCHC, the Registrant's wholly-owned subsidiary, has relocated its corporate offices to its Citicenter Property which consists of the entire 5th Floor of the Citibank Center Building in Makati. The Registrant, as principal shareholder of MCHC, has been allocated office space by MCHC. MCHC has also leased out the four (4) remaining units. One of the units has been leased by Business Process Outsourcing International (BPOI) since February 16, 2009. Three other units are leased to other lessees. MCHC acquired at the end of 2014 two additional units in Citibank Tower which are currently leased out.

(c) Land/Property Ownership

MCHC has acquired a 985 m2 lot in Fort Bonifacio which it plans to develop into an office building for lease. MCHC acquired, at the end of 2014, two additional condominium office units in Citibank Tower which are currently leased out. At the end of 2016, MCHC also acquired one floor of office condo units in the JMT Condominium Building which are also currently leased out. As of 31 December 2017, the above land and properties are not subject to any mortgages, liens or encumbrances.

LEGAL PROCEEDINGS

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

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

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

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

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

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

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

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

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

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

On 12 April 2006, MCHC filed with the Regional Trial Court of Makati City, a verified petition with prayer for the issuance of an Order to Vacate the Arbitral Award, dated 6 March 2006, pursuant to Sections 22 to 29 of Republic Act No. 876 (“The Arbitration Law”)

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

On 29 June 2015, the Court rendered its decision confirming the arbitral award directing MCHC solidarily with MCMC to pay Zosa's severance compensation in the amount of ₱14,669,691.43. MCHC filed its Motion for Reconsideration on 23 July 2015 which was denied in an Order dated 7 January 2016. On 9 February 2016, MCHC filed with the Court of Appeals its Petition for Review of the Decision of the Regional Trial Court. MCMC likewise filed its appeal with the said appellate court. On August, 2019, the Court of Appeals denied the Petition for Review. Magellan Capital Holdings Corporation filed a Motion for Reconsideration on 16 September 2019 – assailing the Court of Appeals decision. The Motion for Reconsideration was denied by the Court of Appeals in its Resolution of 22 September 2020. MCHC has decided not to pursue the appeal. MCMC, however, went up to the Supreme Court on appeal. The case is currently pending in the Supreme Court.

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

“People of the Philippines vs. Ariel Balatbat”, Criminal Case No. 114955, Regional Trial Court of Pasig City, Branch 151. MUDC, through its authorized officer, has also filed a complaint against Ariel Balatbat for qualified theft relating to several unauthorized withdrawals of, and anomalous transactions involving, company funds in the total amount of ₱121,500.00 (equivalent to US\$3,000.00), US\$4,000.00, and US\$1,020.00. Said amounts were never recovered or accounted for. The case is currently pending before the Regional

Trial Court, which also issued a warrant of arrest for the same. The bail was set for ₱40,000.00. The accused was arrested and subsequently arraigned. Three (3) witnesses have been presented - two (2) from the bank and one (1) from MUDC.

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

- c) **Magellan Capital Holdings Corporation vs. Spouses Mario and Preciosa Roño, Civil Case No. 066, Regional Trial Court, Taguig City, Branch 153.** This is a case, filed in 2016, for Injunction, with application for TRO and Writ of Injunction, against Spouses Mario and Preciosa Roño, the Taguig Register of Deeds, the Securities and Exchange Commission, Bureau of Internal Revenue, Taguig District to prevent the use of falsified documents including a fake Deed of Sale, fake General Information Sheet (GIS) and fake certificate of title, to transfer MCHC's property in Fort Bonifacio in favor of the Spouses Roño. This is in relation to the ongoing attempt by certain individuals to cause the transfer of title over MCHC's 985 square meter lot at Bonifacio Global City (“BGC”) in their favor using falsified and spurious documents. The Regional Trial Court granted the preliminary injunction on 24 August 2016. The case is pending resolution on the grant of a permanent injunction. In an order dated 3 July 2017, the RTC referred the case for mediation proceedings which are ongoing as of this writing. On 15 March 2018, the Court deemed as submitted for resolution the Motion to declare defendants in default.
- d) **Magellan Capital Holdings Corporation represented by Mr. Robert Y. Cokeng vs. Spouses Mario and Preciosa Roño et al, XV-16-INV-16F-00541, Office of the City Prosecutor of Taguig; People of the Philippines vs. Marion S. Roño, Criminal Case No. 17-28768, Metropolitan Trial Court of Taguig City, Branch 115; People of the Philippines vs. Mario S. Roño, Criminal Case No. 17-28769, Metropolitan Trial Court of Taguig City, Branch 115; People of the Philippines vs. Mario S. Roño and Preciosa Roño, Criminal Case No. 17-28771, Metropolitan Trial Court of Taguig City, Branch 115; People of the Philippines vs. Mario Roño and Preciosa Roño, Criminal Case no. 17-28770, Metropolitan Trial Court of Taguig City, Branch 116.** These criminal cases for Falsification under Article 171 in relation to Article 172 of the Revised Penal Code, were filed against the named individuals in connection with Civil Case No. 066. The Prosecutor in XV-16-INV-16F-00541, found

probable cause against the respondents and the corresponding Information was filed with the Metropolitan Trial Court. A Warrant of Arrest against the respondents was issued on 10 February 2017 and Arraignment was scheduled last 23 March 2017. On 12 May the MTC dismissed the accused's Omnibus Motion (1) to Quash for failure to state an offense (2) issue Bill of Particulars and (3) suspend proceedings in view of the pendency of accused's Petition for Review with the Department of Justice (DOJ) and (4) Suspend Arraignment. Arraignment was scheduled to be held on 15 May 2017. In an Order dated 22 May 2017, the RTC reset the arraignment to 14 August 2017. On 2 June 2017 the Department of Justice (DOJ) dismissed the petition for Review filed by the accused Spouses Rono. The accused was arraigned on 14 August 2017. Thereafter, the parties were referred to mediation and Judicial Dispute Resolution. No settlement was reached. The case was re-raffled to Branch 74 and scheduled for Preliminary Conference on 27 February 2019. The hearing dates for presentation of prosecution evidence are on 11 April, 9 May, 13 June, 29 July, 29 August, 23 September, 21 October, 18 November and 12 December 2019, all at 8:30 a.m.

On March 4, 2020, the parties executed a Compromise Agreement whereby the Accused agreed to pay the sum of Ten Million Pesos (P10,000,000.00) to settle the case. In an Order dated 5 March 2020, the Court approved the Compromise Agreement dated 4 March 2020 and provisionally dismissed the criminal cases.

- e) Magellan Capital Holdings Corporation, represented by Mr. Robert Y. Cokeng vs. Spouses Mario and Preciosa Roño, Pedro S. Villaflor, John Doe and Jane Doe, IS No. XV-13-INV-16-J-02050, Office of the City Prosecutor of Pasay City, Department of Justice.** In relation to the aforementioned cases, this case was filed against the respondents for violation of Article 172 in relation Article 171 of the revised Penal Code (Use of Falsified documents). The falsified documents were used to open an account in Maybank, Villamor Base branch, Pasay City. In a Resolution dated 5 January 2017, the City Prosecutor dismissed MCHC's complaint. In Resolution dated 29 November 2017, the Motion for Reconsideration filed by MCHC was denied.
- f) Magellan Capital Holdings Corporation vs. Spouses Mario and Preciosa Roño, IS No. XV-03-INV-16J-10508, Office of the City Prosecutor of Quezon City, Department of Justice.** In relation to the aforementioned cases, this case was filed against the respondents for violation of Article 172 in relation to Article 171 (2) of the Revised Penal Code. The falsified documents appear as having been executed and notarized in Quezon City. In a Resolution dated 19 March 2018 which was received on 18 April 2018, the City Prosecutor's office dismissed the complaint against respondents. MCHC filed its Motion for Reconsideration of the aforesaid Resolution on 03 May 2018. As of this writing the said Motion is still pending resolution.
- g) Robert Y. Cokeng (for and in behalf of Magellan Capital Holdings Corporation) vs. Maybank Philippines, Inc. Dato Dr. Tan Tat Wai, Herminio M. Famatigan Jr., Jonathan P. Ong, Jose A. Morales III and Milandro C. Urbano, OSI-AC-No. 2016-032, Bangko Sentral**

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

FINANCIAL AND OTHER INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Registrant's consolidated revenue in 2020 increased to ₱111.8 million from ₱103.3 million in 2019. Equity in net earnings of associates improved to ₱32.1 million in 2020 from ₱5.3 million in 2019 as Pointwest generated a profit of \$1.5 million in 2020 after reporting losses in 2019 and 2018 due to the loss of a major account and revenue reduction from another major account. At the same time, Business Process Outsourcing International (BPOI), the Registrant's other associate showed lower earnings of ₱26.3 million in 2020 from ₱62.8 million in 2019 due mainly to higher expenses caused by the Covid-Pandemic. Interest income decreased to ₱21.2 million in 2020 from ₱36.3 million in 2019 as interest levels have gone down due to monetary easing by monetary authorities. A net foreign exchange loss of ₱28.2 million was recorded in 2020 versus a loss of ₱22.8 million in 2019 as the Peso improved against foreign currencies which penalized the foreign exchange denominated bonds and other securities held by the Registrant and its subsidiary. Rent decreased slightly from ₱25.1 million in 2019 to ₱23.3 million in 2020 due to higher vacancy. Gain on disposal of AFS, HTM and FVPL Financial Assets of ₱21.9 million was recorded in 2020 versus ₱3,435 in 2019. Dividend income decreased to ₱3.7 million in 2020 from ₱4.9 million in 2019. Fair value gain on Financial Assets at FVPL was ₱1.3 million in 2020 compared to ₱27.7 million in 2019 as prices of listed securities improved slightly in 2020.

Total consolidated expenses of the Registrant increased to ₱65.8 million in 2020 compared to ₱59.6 million in 2019 due mainly to higher foreign exchange losses.

As a result of the above, total consolidated income before tax in 2020 totaled ₱46.1 million compared to ₱43.7 million in 2019. After provision for income tax, total consolidated net income after tax totaled ₱43.4 million in 2020 compared to ₱33.6 million in 2019.

Net income attributable to non-controlling interest, namely minority shareholders of Magellan Capital Holdings Corporation, totaled ₱0.4 million in 2020 compared to ₱1.4 million in 2019.

Net income attributable to equity holders of the Registrant totaled ₱43.0 million in 2020 compared to ₱32.2 million in 2019.

The Registrant's financial position is very strong as it has substantial cash resources available to undertake its planned projects. As of December 31, 2020, the Registrant's consolidated cash and cash equivalent totaled over ₱523.5 million compared to ₱582.3 million as of December 31, 2019. The Registrant and its subsidiary are planning to undertake development of MCHC's land in Fort Bonifacio into an office building as well as to acquire income

producing properties as well as additional land for development. The Registrant and its subsidiary are debt free with total consolidated liabilities of P38 million at year-end 2020 compared to P51.7 million at year-end 2019. Total equity amounted to P1.9 billion as of the end of 2020 substantially the same level as at the end of 2019.

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 2020 totaled P523.5 million compared to P582.3 million at the end of 2019 while total current assets totaled P751.7 million at year-end 2020 compared to P888.1 billion at year-end 2019. Other than the normal fluctuation of the Peso exchange rate as well as the effect of the normal market fluctuations on the value of stock and bond holdings owned by the Registrant and its subsidiary, the Registrant is not aware of any trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in its liquidity increasing or decreasing in any material way. Likewise, the Registrant does not know of any trends, events or uncertainties that have or that are reasonably expected to have a material favorable or unfavorable impact on the revenues or income from continuing operations.

Top Five (5) Key Performance Indicators

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

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

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

(P000)	YEAR 2020	PER- CENTAGE	YEAR 2019	PER- CENTAGE	YEAR 2018	PER- CENTAGE
Equity in net earnings of associates	P 32,071	28.7%	P 5,344	5.2%	P 26,727	400%
Interest Income	21,230	19.0%	36,276	35.1%	(15,046)	(41.5%)
Rent	23,332	20.9%	25,141	24.3%	(1,809)	(7.2%)
Dividend Income	3,655	3.3%	4,857	4.7%	(1,202)	(24.8%)
Fair Value Gains (Losses) on Financial Assets at	1,291	1.2%	27,686	26.8%	(26,395)	(95.3%)

FVPL						
Gain (Losses) on Disposal of AFS, HTM and FVPL Investments	19,800	17.7%	3,919	3.8%	15,881	305%
Others	10,466	9.4%	78	0.1%	10,388	13.200%
Total from continuing operation	₱ 111,845	100.0%	₱ 103,301	100.0%	₱ 8,544	8.3%

Because it is a holding company, the Registrant traditionally derived a large part of its revenue from its equity in net earnings of associates which in 2020 accounted for 28.7% of consolidated total revenues from continuing operations. However, 2018 saw equity in Net Losses of Associates as Pointwest experienced losses for the first time in its operating history as it lost a major account and saw reduced revenue from another major account. As a result, even though BPO International registered a rise in profits it was not enough to offset the losses from Pointwest. As a result, share in losses of Associates was P14.0 million in 2018 compared to an equity in net earnings of associates of P40.9 million in 2017. However, Pointwest embarked on a retrenchment program to cope with the reduced business volume as well as made efforts to secure new clients to replace the lost accounts. As a result, Pointwest loss in 2019 was reduced by half compared to 2018 and in 2020 was already in a profit position with a net income of \$1.5 million. As a result equity in net earnings of Associates was ₱32.1 million in 2020 compared to ₱5.3 million in 2019 and a loss of ₱14.0 million in 2018. Interest income decreased in 2020 to ₱21.2 million from ₱36.3 million in 2019 due to lower rates of interest in the capital markets. Fair value gains on financial assets at FVPL was ₱1.3 million in 2020 compared to ₱27.7 million in 2019.

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

(000)	YEARS ENDED DECEMBER 31					
	2020	PERCENTAGE	2019	PERCENTAGE	2018	PERCENTAGE
Revenue	₱ 111,845	100%	₱ 103,301	100%	₱ 31,187	100%
Expenses	65,757	58.8%	59,558	57.6%	10,210	32.7%
Net Income Before Tax	46,088	41.2%	43,743	42.4%	20,977	67.3%
Tax	(2,661)	(2.41%)	(10,094)	(9.8%)	(7,891)	(25.3%)
Net Income After Tax	43,427	38.8%	33,649	32.6%	13,086	42.0%
Total Net Income	₱ 43,427	38.8%	₱ 33,649	32.6%	₱ 13,086	42.0%
Attributable to Stockholders of Registrant	43,025	38.5%	32,205	31.2%	12,088	38.8%
Non-Controlling Interest	403	0.3%	1,444	146%	998	3.2%

As the above shows, net income increased to ₱43.4 million in 2020 from ₱33.6 million in 2019. The increase in net income was mainly due to equity in net earnings of associates as Pointwest generated a net income of \$1.5 million in 2021 due to its successful retrenchment effort. In addition, gains on Disposal of Financial Assets contributed to a ₱15.9 million increase in revenue. The net income in 2020 attributable to stockholders of the Registrant was ₱43.0 million while ₱0.4 million was attributable to non-controlling interests, namely minority shareholders of Magellan Capital Holdings Corporation. The net income attributable to stockholders of the Registrant in 2019 was ₱32.2 million while ₱1.4 million was attributable to non-controlling interests.

Earnings per share. The earnings per share in 2020 amounted to ₱0.11 per share compared to earnings per share of ₱0.08 in 2019 and ₱0.03 in 2018 due to the higher equity in net earnings of associates resulting from reduced losses at Pointwest. The earnings per share are adjusted to reflect the shares held by the Registrant's subsidiaries which are classified as treasury shares in the Consolidated Financial Statements.

Current-Ratio. Current Ratio (current assets divided by current liabilities) which measures the liquidity position of the Registrant was 40.3x at December 31, 2020 compared to 29.9x at the end of 2019. The Registrant's liquidity position is very strong and gives it substantial resources to pursue its projects.

Book value per share. The Registrant's book value per share (excluding treasury shares owned by subsidiaries of the Registrant) was ₱4.60 per share at the end of 2020 from ₱4.64 at year-end 2019 and ₱4.81 at year-end 2018.

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

The Registrant and its subsidiary and affiliates are substantially debt-free, except for MUDC, which has loans and advances from its principal shareholders. The Registrant and its subsidiaries have more than enough cash resources to meet any expected requirements during the next twelve (12) months. Consolidated cash and cash equivalents totaled ₱523.5 million at year end 2020 compared to ₱582.3 million at year end 2019. Other than the normal fluctuations of the Philippine Peso to the U.S. Dollar, the Registrant is unaware of any trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in its liquidity increasing or decreasing in any material way. Likewise, the Registrant does not know of any trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the revenues or income from continuing operations.

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

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

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

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

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

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

Exhibit "2" shows the audited consolidated balance sheet as of December 31, 2020 and December 31, 2019 and audited consolidated income statements for the years 2020, 2019 and 2018. The accounts are discussed below in more detail.

OPERATING RESULTS

Revenues. In the year ended 31 December 2020, total consolidated revenues totaled ₱111.8 million compared to ₱103.3 million in 2019 and ₱31.2 million in 2018. The reasons for the change have been discussed in the revenue generation section earlier in this Report.

Expenses. Total consolidated operating expenses increased to ₱65.8 million in 2020 from the ₱59.6 million in 2019 due mainly to higher net FX loss as the depreciating Peso exchange rate penalized the foreign exchange denominated bonds and stocks held by the Registrant and its subsidiaries.

Net Income Before Tax. As a result of the movement in revenues and expenses discussed in the preceding sections, net income before tax totaled ₱46.1 million in 2020 compared to ₱43.7 million in 2019 and ₱21 million in 2018.

Provision For Income Tax. In 2020, there was a provision for income tax of ₱2.6 million compared to ₱10.1 million in 2019 and ₱7.9 million in 2018.

Net Income After Tax. As a result of the provision for income tax discussed above, the Registrant had a consolidated net income after tax of ₱43.4 million in 2020, from net income after tax of ₱33.6 million in 2019 and ₱13.1 million in 2018.

BALANCE SHEET ACCOUNTS

The following comparative financial analysis is based on audited consolidated balance sheets as of December 31, 2020 and December 31, 2019 shown in Exhibit “2”. Exhibit “4” shows the vertical percentage analysis of balance sheet accounts as of December 31, 2020 and December 31, 2019. The movements in the various accounts are discussed below:

ASSETS

Current Assets. Total current assets at year-end 2020 totaled ₱751.7 million compared to ₱888.1 million at year-end 2019. Cash and cash equivalents decreased to ₱523.5 million at year end 2020 from ₱582.3 million at year end 2019. Financial assets at Fair Value through Profit or Loss (FVPL) decreased to ₱161.0 million at year-end 2020 from ₱248.6 million at year-end 2019. Current portion of Financial Assets at FVOCI totaled ₱0.5 million at year-end 2020 and the same level as at year-end 2019. Receivables increased to ₱8.7 million at year-end 2020 from ₱5.9 million at year-end 2019. Prepayments and other assets increased to ₱35.7 million at year-end 2020 from ₱33.3 million at year-end 2019.

Non-Current Assets. Total non-current assets at year-end 2020 totaled ₱1,122 million versus ₱1,015.7 million at year-end 2019. Most of the increase was due to increase in financial assets at FVOCI from ₱299.9 million at year end 2019 to ₱350 million at year end 2020.

Total Assets. As a result of the movement in the accounts described above, total consolidated assets of the Registrant at year-end 2020 totaled ₱1,873.6 million compared to ₱1,903.9 million at year-end 2019.

LIABILITIES AND EQUITY

Current Liabilities. Current liabilities decreased to ₱18.6 million at year-end 2020 from ₱30.6 million at year-end 2019 mainly due to decrease in income tax payable and accounts payable and accrued expenses.

Non-Current Liabilities. Non-current liabilities decreased to ₱19.3 million at year-end 2020 from ₱21.1 million at year-end 2019 due mainly to decrease in Retirement benefit obligation.

Stockholder’s Equity. Total Stockholder’s Equity Attributable to Equity Holders of the Registrant decreased to ₱1,763.3 million at year-end 2020 from ₱1,779.9 million at year end 2019. This was due to dividends paid out in 2020. Equity attributable to minority

shareholders of MCHC totaled ₱72.4 million at year end 2020 compared to ₱72.3 million at year-end 2019. As a result, total stockholders equity at year-end 2020 stood at ₱1,853.7 million compared to ₱1,852.2 million at year-end 2019.

SECOND QUARTER 2021 REPORT

The following is a detailed discussion of the Registrant's operations and financial condition during the second quarter of 2021 and second quarter of 2020.

Operating Results

Breakdown of Revenue for the Three Month Periods Ending June 30, 2021 and June 30, 2020 with Vertical and Horizontal Percentage Analysis is shown below:

(P000)	Second Quarter 2021	Vertical Percentage Analysis	Second Quarter 2020	Vertical Percentage Analysis	Increase (Decrease) Amount	Increase (Decrease) Percentage
INTEREST INCOME						
From Banks	₱ 681	4.3%	₱ 1,988	5.5%	(1,307)	(65.7%)
From Securities	2,433	15.2%	3,123	8.7%	(690)	(22.1%)
TOTAL	₱ 3,114	19.5%	₱ 5,111	14.2%	(1,997)	(39.1%)
UNREALIZED GAIN ON TRADING SECURITIES	6,021	37.6%	22,221	62%	(16,200)	(72.9%)
REALIZED GAIN ON REDEMPTION OF AFS/HTM INVESTMENTS	92	0.6%	1,469	4.1%	(1,377)	(93.7%)
DIVIDEND INCOME	1,429	8.9%	1,271	3.5%	158	12.4%
RENT INCOME	5,352	33.4%	5,472	15.3%	(120)	(2.2%)
REALIZED FX GAIN	-	-	17	-	(17)	(100%)
OTHER INCOME	-	-	282	0.8%	(282)	(100%)
TOTAL	₱ 16,009	100%	₱ 35,842	100%	(19,833)	(55.3%)

Revenues. Consolidated revenues, during the 3 month period ended June 30, 2021 decreased by 55.3% to ₱16.0 million compared to ₱35.8 million during the same 3 month period in 2020 as shown in Annex "C". The lower revenue was due mainly to lower unrealized gain on trading securities as listed stocks held by the Registrant and its subsidiaries did not increase as much in 2021. In addition, the lower interest income and lower realized gain on redemption of FVPL investment also contributed to the lower revenue.

Expenses. Consolidated expenses in the second quarter of 2021 totaled ₱9.2 million compared to ₱7.0 million in the second quarter of 2020. As shown in Annex "C", the decrease was accounted for higher professional fees and other expenses.

Operating Income. Due to the factors discussed above, consolidated operating income in the second quarter of 2021 totaled ₱6.8 million compared to ₱28.8 million in the second quarter of 2020.

Net Income. Net income totaled ₱6.8 million during the second quarter of 2021 compared to ₱28.8 million in the second quarter of 2020. Net income in the second quarter of 2021 attributable to shareholders of the company totaled ₱6.5 million while ₱0.3 million was attributable to minority

shareholders in the company's 94% owned subsidiary Magellan Capital Holdings Corporation (MCHC). In the second quarter of 2020, ₱27.4 million in net income was attributable to stockholders of the company while ₱1.4 million was attributable to minority stockholders in MCHC.

BALANCE SHEET ACCOUNTS

Annex "F" shows the Vertical and Horizontal Percentage Analysis of Balance Sheet Account for June 30, 2021 compared to December 31, 2020.

Assets

Current Assets. Consolidated current assets as of June 30, 2021 totaled ₱730.1 million compared to ₱751.7 million as of December 31, 2020. Most of the decrease was due to the lower cash and cash equivalents which decreased to ₱472.3 million as of June 30, 2021 from ₱523.5 million as of December 31, 2019. Financial assets at FVPL increased to ₱213.1 million as of June 30, 2021 from ₱161.0 million as of December 31, 2020.

Investments in Associates. This account which consists of investment in Pointwest Technologies Corporation and BPO International, Inc. remained at the same level at year-end 2020 and at June 30, 2021 at ₱278.9 million as equity in net earnings of associates are not taken up until year end.

Financial Assets at FVOCI – Net of Current Portion. This account which consists mostly of medium term bonds and listed equities increased from ₱350.1 million at year-end 2020 to ₱386.6 million at June 30, 2021.

Property and Equipment. This account totaled ₱5.4 million as of June 30, 2021 compared to ₱6.0 million as of December 31, 2020 due to additional depreciation allowance taken in the first half of 2021.

Investment in Property. This Account totaled ₱378.6 million at June 30, 2021 compared to ₱382.5 million at year end 2020 due to depreciation allowance provided in the first half of 2021.

Other Non-Current Assets. This account totaled ₱79.7 million as of June 30, 2021, compared to ₱48.3 million as of December 31, 2020.

Total Assets. As a result of the foregoing, total assets increased to ₱1,914.9 million as of June 30, 2021 from ₱1,873.6 million as of December 31, 2020.

Liabilities and Equity

Current Liabilities. Current liabilities increased to ₱23.1 million as of June 30, 2021 from ₱18.6 million as of December 31, 2020 due mainly to higher deposit payable and higher output VAT payable.

Non-Current Liabilities. Non-current liabilities which consists mostly of retirement benefit obligation and deposits payable decreased to ₱16.6 million as of June 30, 2021, from ₱19.3 million at year-end 2020.

Stockholder's Equity. Total stockholder's equity increased to ₱1,875.2 million as of June 30, 2021 from ₱1,835.7 million at year-end 2020 due to the net income generated in the first half of 2021. Total equity attributable to stockholders of the company totaled ₱1,800.8 million at June 30, 2021 from ₱1,763.3 million at December 31, 2020. Minority interest which represents the share of minority shareholders of Magellan Capital Holdings Corporation was ₱74.4 million at June 30, 2021 compared to ₱72.4 million at year-end 2020.

(a) Top Performance Indicators

The top five (5) performance indicators for the Company and its Subsidiary are as follows:

- 1) Change in revenues
- 2) Change in net income
- 3) Earnings per share
- 4) Current ratio
- 5) Book Value per share

Change in Revenues. Consolidated revenues in the second quarter of 2021 and 2020 are shown in Annex “C” and presented below in summary form:

(P 000)	2 nd Quarter 2021	Percentage (%)	2 nd Quarter 2020	Percentage (%)
Interest Income	₱ 3,114	19.5%	₱ 5,111	14.2%
Lease Rental Income	5,352	33.4%	5,473	15.3%
Dividend Income	1,429	8.9%	1,271	3.5%
Unrealized Gain on Trading Securities	6,022	37.6%	22,221	62%
Realized Gain on FVPL	92	0.6%	1,469	4.1%
Realized FX Gain	-	-	17	-
Other Income	-	-	282	0.8%
Total Income	₱ 16,009	100.00%	₱ 35,842	100.00%

Total revenue decreased by 55.3% in the second quarter of 2021 to ₱16.0 million from ₱35.8 million in the second quarter of 2020. This was due mainly to lower unrealized gain on trading securities and lower realized gain on trading securities.

Change in Net Income. The income statement in the second quarter of 2020 and 2019 are shown in Annex “C” and summarized below:

(P 000)	2 nd Quarter 2021	Percentage (%)	2 nd Quarter 2020	Percentage (%)
Revenues	₱ 16,009	100%	₱ 35,842	100.00%
Expenses	9,178	57.3%	7,038	19.6%
Net Income	6,831	42.7%	28,804	80.4%
Attributable to:				
- Minority Interest	289	1.8%	1,440	4.0%
- Stockholders of Company	₱ 6,542	40.9%	₱ 27,364	76.4%

The company realized a net income of ₱6.5 million attributable to stockholders of the company in the second quarter of 2021, compared to a net income of ₱27.4 million attributable to stockholders of the company in the second quarter of 2020 due to the factors discussed in the preceding pages.

Earnings per Share. The income per share attributable to shareholders of the Company during the second quarter of 2021 was ₱0.017 per share compared to earnings per share of ₱0.071 in the second quarter of 2020.

Current Ratio. Current ratio as of June 30, 2021 was 31.6 X compared to 40.4 X as of December 31, 2020. Decrease in cash and cash equivalent and increase in current liability accounted for the lower current ratio.

Book Value Per Share. Book value per share as of June 30, 2021 was ₱4.70 per share compared to ₱4.60 per share as of December 31, 2020 due mainly to the net income attributable to stockholders of the company realized in the first half of 2021.

INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

External Audit Fees and Services

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

	2018	2019	2020
Registrant	₱ 332,640	₱ 343,035	₱ 320,000
MCHC	511,280	527,258	490,000
Subsidiaries of MCHC	40,225	40,225	40,225
MUDC	21,449	21,449	21,449

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

Prior to the commencement of audit work, the external auditors, present their program and schedule to the company's Audit Committee. The company's audited financial statements for the year are presented by the external auditors to the Audit Committee for committee approval and endorsement to the full Board for final approval. Upon the recommendation of the Audit Committee, the Board approved the audit fees and nomination of KPMG – R.G. Manabat & Co. as external auditor for the year 2020.

Financial Statements

The Statement of Management's Responsibility along with Audited Consolidated Financial Statements as of December 31, 2020 are shown in this report.

Changes in and Disagreements with Accountants on Accountings and Financial Disclosure

The Corporation has replaced SGV & Co. with KPMG (R.G. Manabat & Co.) for the 2020 audit. There are no disagreements with the former external auditor, SGV & Co.

Dividends

Dividends amounting to ₱0.10 per share were declared and paid out in 2020.

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

TOP 20 STOCKHOLDERS OF THE REGISTRANT

The top twenty (20) stockholders of the common equity of the Registrant as of August 4, 2021 are as follows:

	NAME OF STOCKHOLDERS	NUMBER OF SHARES			PER-CENTAGE
		CLASS A	CLASS B	TOTAL	
1	Essential Holdings Limited	-	139,778,670	139,778,670	29.01%
2	PCD Nominee Corporation (A Shares)	71,619,490	-	71,619,490	14.86%
3	Pinamucan Industrial Estates, Inc.	12,491,025	37,799,160	50,290,105	10.42%
4	Magellan Capital Holdings Corporation	47,844,022	-	47,844,022	9.92%
5	Consolidated Tobacco Industries of the Phils., Inc.	43,052,023	-	43,052,023	8.93%
6	Vructi Holdings Corporation	34,633,628	-	34,633,628	7.18%
7	Center Industrial and Investment, Inc.	23,991,000	-	23,991,000	4.98%
8	Robert Y. Cokeng	15,713,072	-	15,713,072	3.26%
9	Johnson Tan Gui Yee	15,371,747	-	15,371,747	3.19%
10	Victorian Development Corporation	12,085,427	-	12,085,427	2.51%
11	PCD Nominee Corporation (B Shares)	-	11,088,581	11,088,581	2.3%
12	Brixton Investment Corporation	2,815,000	-	2,815,000	0.58%
13	Francisco Y. Cokeng, Jr.	2,160,000	-	2,160,000	0.45%
14	Johnson U. Co	1,100,000	-	1,100,000	0.23%
15	Homer U. Cokeng, Jr.	1,020,000	80,000	1,100,000	0.23%
16	Betty C. Dy	1,100,000	-	1,100,000	0.23%
17	Rosalinda C. Tang	1,080,000	-	1,080,000	0.22%
18	Metro Agro Industrial Supply Corporation	523,833	270,144	793,977	0.16%
19	Criscini Reyes	400,000	-	400,000	0.08%
20	Robert Y. Ynson	251,378	74,289	325,667	0.07%

Percentage based on the Total Issued and Outstanding Shares of 481,827,653.

Recent sales of unregistered or exempt securities, including recent issuance of securities constituting an exempt transaction

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

Warrants

There are no warrants or options outstanding as of the end of December, 2020 and up to the present.

DISCUSSION ON COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

In Compliance with SEC Memorandum Circular No. 2, dated April 05, 2002, the Company submitted its Manual on Corporate Governance on August 29, 2002 as approved by its Board of Directors in a meeting held on August 14, 2002, which basically adopted the SEC's Model Manual. Since the Manual's effectivity on January 01, 2003, the Company's Board of Directors and Management has been complying with the principles laid down by the Code of Corporate Governance through the mechanisms which have been institutionalized in the Manual and so far as may be relevant and appropriate to the Company's business as a holding company.

The Company continues to adopt measures to ensure compliance with the leading practices on good corporate governance through, among others, the nomination and election of two independent directors, the constitution of the different committees required by the Code such as the Nominations Committee, the Audit Committee, the Compensation and Remuneration Committee, all of which have been performing their functions as laid down in the Manual.

During a meeting held on March 29, 2004 the company's Board of Directors approved the adoption as part of the Manual, Sec. 4.2 of the PSE's Revised Disclosure Rules, which is in consonance with Chapter VII of the Securities Regulation Code.

Since its effective date, there has been no deviation from the Company's Manual of Corporate Governance. No member of the Company's Board of Directors or its officers and personnel has done or caused to be done any act in violation of the principles laid down in the said Manual.

The Company continues to adhere to the principles and policies of its Manual with the view to continually improve the company's corporate governance.

On February 11, 2008, the Board of Directors of the Company attended and completed the Seminar on Corporate Governance given by the UP Law Center, as required by the Rules. The company continues to comply with the appropriate performance self-rating assessment and performance evaluation system in compliance with pertinent SEC regulations.

On February 22, 2011, the Company submitted its Revised Manual on Corporate Governance pursuant to SEC Memorandum Circular No. 6, Series of 2009.

In compliance with pertinent Rules, the Corporate Secretary of the Company attended various seminars on the Corporate Governance – the Asean Scorecard Information Briefing held on various dates, the last one being held last March 26, 2013 at the Institute of Corporate Directors.

On May 30, 2013, the Company submitted its Annual Corporate Governance Report pursuant to SEC Circular No. 5, Series of 2013.

On October 20, 2014, the Company's President and Corporate Secretary attended the SEC-PSE Corporate Governance Forum at the Makati Shangri-la Hotel.

On April 23, 2015, the Company's representatives attended the SEC Corporate Governance Workshop on the Asean Corporation Governance Scorecard at the Crowne Plaza Manila in Ortigas.

On December 9, 2015, the members of the Board of Directors and the Corporate Secretary attended the Advance Corporate Governance Seminar held at the New World Hotel, Esperanza Street corner Makati Avenue, Ayala Center, Makati City.

On April 22, 2016, The Company's Corporate Secretary attended the Business Integrity Workshop of the Institute of Corporate Directors on "Compliance with US FCPA and the UK Bribery Act" at the Makati Diamond Residences.

On August 25, 2016 and December 8, 2016, the members of the Board of Directors attended the Corporate Governance Seminar held at the New World Hotel, Esperanza Street corner Makati Avenue, Ayala Center, Makati City

On November 22, 2016, other members of the Board of Directors and the Corporate Secretary attended the SEC-PSE Corporate Governance Forum at the 3rd Floor, Meeting Room I, PICC Complex, Pasay City.

On September 26, 2017, members of the Board attended the Corporate Governance Seminar "Competing Against Risk" at the Dusit Thani Hotel, Makati City. Another seminar was attended on October 14, 2017 at the Wackwack Golf & Country Club on "Risk, Opportunities, Assessment and Management (ROAM) Inc." The last seminar attended for the year was on 10 November 2017 at the Makati Shangrila Hotel on "Corporate Governance: Board Effectiveness Best Practices." The Corresponding Certificates of Completion/Attendance for the 2017 seminars attended was submitted to the SEC on 21 November 2017.

On February 23, 2018, the Company's President attended the Corporate Governance Seminar held at the 3rd Floor, Guajes Room of Acacia Hotel in Alabang, Muntinlupa City and conducted by SGV.

On August 29, 2018, members of the Board of Directors attended the Corporate Governance "Orientation Program" held at the Discovery Primea, Makati City conducted by Institute of Corporate Directors (ICD)>

On August 30, 2018, members of the Board of Directors attended the Corporate Governance Seminar held at RCBC Plaza, Ayala Avenue, Makati City, conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. The corresponding Certificates of Completion/Attendance for August 29 and August 30 was submitted to SEC on 04 September 2018.

On November 9, 2018, members of the Board of Directors attended the Corporate Governance Seminar "Board Effectiveness Best Practices" held at Manila Marriott Hotel, Pasay City, conducted by Center for Global Best Practices.

On November 21, 2018, the other members of the Board of Directors attended the Corporate Governance Seminar "Professionalizing your Management and Board of Directors" held at PCCI BA Securities Hall, McKinley Hills, Taguig City, conducted by Philippine Chamber of Commerce and Industry (PCCI). The corresponding Certificates of Completion/Attendance for November 9 and November 21 was submitted to SEC on November 22, 2018.

On May 16, 2019, members of the Board of Directors attended the Corporate Governance Seminar "Professionalizing your Management and Board of Directors" held at PCCI BA Securities Hall, McKinley Hills, Taguig City, conducted by Philippine Chamber of Commerce and Industry (PCCI). Certificates of Completion/Attendance was submitted to SEC on May 21, 2019.

On June 14, 2019, members of the Board of Directors attended the Corporate Governance Seminar held at RCBC Plaza, Ayala Avenue, Makati City, conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. The corresponding Certificates of Completion/Attendance was submitted to SEC on June 18, 2019.

On November 19, 2020, members of the Board of Directors attended the Corporate Governance Webinar “2019 Revised Corporation Code of the Philippines” held via zoom and conducted by Center for Global Best Practices Foundation. The corresponding Certificates of Attendance was submitted to SEC on December 17, 2020.

Evaluation System

The Company continues to adhere to the principles and policies of its Manual with the view to continually improve the company’s corporate governance. It has adopted as a guideline the SEC’s Corporate Governance Self-Rating Form (CG-SRF) in order to determine the Company’s compliance with the leading practices on Corporate Governance.

Plan to Improve

The Company continues to take efforts to be abreast with development and trends on Corporate Governance as the same may emerge.

BOARD OF DIRECTORS AND MANAGEMENT

DIRECTORS

Robert Y. Cokeng
Chairman

Charlie K. Chua

Francis L. Chua

Johnson U. Co

Johnny O. Cobankiat

Katrina Marie K. Cokeng

Mark Ryan K. Cokeng

Mary K. Cokeng

Peter L. Kawsek, Jr.

Johnson Tan Gui Yee

Rufino B. Tiangco

MANAGEMENT

ROBERT Y. COKENG
Chairman of the Board

ROBERT Y. COKENG
President

PONCIANO K. MATHAY
Senior Vice-President and
Compliance Officer

JOHNSON U. CO
Vice-President for Administration

MARK RYAN K. COKENG
Treasurer and
Chief Financial Officer

**ATTY. FINA BERNADETTE
D.C. TANTUICO**
Corporate Secretary

DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

DIRECTORS AND EXECUTIVE OFFICERS

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

ROBERT Y. COKENG, 69 years old, Filipino citizen.
Chairman, President & Chief Executive Officer

Re-elected on 28 September 2020 to a one-year term. Director and Officer since 1996.

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

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

JOHNSON U. CO, 68 years old, Filipino citizen.
Vice-President for Administration and Director

Re-elected on 28 September 2020 to a one-year term. Director since 1996.

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

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

MARK RYAN K. COKENG, 35 years old, Filipino citizen.
Treasurer and Director

Re-elected on 28 September 2020 to a one-year term. Director and Treasurer since 2013.

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

Bachelor of Arts in Economics and Statistics, Boston University.

CHARLIE K. CHUA, 57 years old, Filipino citizen.
Independent Director

Re-elected 28 September 2020 to a one-year term.

Vice President, Highland Tractor Parts, Inc.

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

MARY K. COKENG, 68 years old, Filipino citizen.
Director

Re-elected on 28 September 2020 to a one-year term. Director since 2008.

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

Bachelor of Arts, Management, University of Sto. Thomas

KATRINA MARIE K. COKENG, 41 years old, Filipino citizen
Director

Elected on 28 September 2020 to a one-year term.

Co-Founder and Chief Executive Officer, XEN Technologies PTE. LTD., Singapore.

MIT Sloan Executive Education: Blockchain Technologies; Master in Business Administration, Harvard Business School; Bachelor of Arts (Economics and Psychology), Summa Cum Laude, Smith College.

JOHNNY O. COBANKIAT, 69 years old, Filipino citizen.
Director

Re-elected on 28 September 2020 to a one-year term. Director since 2008.

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

B.S. Accounting, De La Salle University.

FRANCIS LEE CHUA, 69 years old, Filipino citizen.
Director

Re-elected 28 September 2020 for a one-year term. Director since 2001.

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

B.S. Management, Ateneo University.

PETER L. KAWSEK, JR., 62 years old, Filipino citizen
Independent Director

Re-elected on 28 September 2020 to a one-year term.

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

Bachelor of Science in Business, De La Salle University

JOHNSON TAN GUI YEE, 74 years old, Filipino citizen.
Director

Re-elected on 28 September 2020 to a one-year term. Director since 1997.

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

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

RUFINO B. TIANGCO, 71 years old, Filipino citizen.
Director

Re-elected on 28 September 2020 to a one-year term. Director since 1997.

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

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

PONCIANO K. MATHAY, 61 years old, Filipino citizen
Senior Vice President and Compliance Officer

Re-appointed by the Board on September 28, 2020.

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

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

FINA BERNADETTE D.C. TANTUICO, 59 years old, Filipino citizen.
Corporate Secretary

Re-elected on 28 September 2020 to a one-year term.

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

Law Degree, University of the Philippines.

Term of Office. The directors of the Registrant were elected during the annual stockholders' meeting held on 28 September 2020. The directors have a one (1) year term of office.

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

(2) SIGNIFICANT EMPLOYEES

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

(3) FAMILY RELATIONSHIPS

Messrs. Robert Y. Cokeng and Johnson U. Co are first cousins. Mary K. Cokeng is the spouse of Robert Y. Cokeng. Mark Ryan K. Cokeng and Katrina Marie K. Cokeng are the children of Robert and Mary Cokeng.