

# COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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

<b>Atty. Fina C. Tantuico</b>
Contact Person

8-8927133 · 8-8927137
Company Telephone Numbers

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## SEC FORM 17-Q (As of JUNE 30, 2021)

<b>QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.1(1) (A) (ii) THEREUNDER</b>
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Form Type

Secondary License Type, If Applicable
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Dept. Requiring this Doc.
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Amended Articles Number/Section
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Total Number of Stockholders
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Total Amount of Borrowings			
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# 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

**30 June 2021**

1. For the quarterly period ended .....

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

4. *F & I 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, BDO Towers Paseo  
8741 Paseo de Roxas, Makati City** **1226**  
Address of principal office Postal Code

8. **(632) 8-892-7133**  
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
<b>Class "A" Common</b>	<b>292,610,118 Shares</b>
<b>Class "B" Common</b>	<b>189,217,535 Shares</b>

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"**

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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 1. Financial Statements**

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

- (1) Unaudited Consolidated Interim Balance Sheet as of 30 June 2021 and Audited Consolidated Balance Sheet as of 31 December 2020 as Annex “A”;
- (2) Unaudited Consolidated Interim Statement of Income and Summary of General and Administrative Expenses for the six (6) month period ending 30 June 2021 and the six (6) month period ending 30 June 2020 as Annex “B”;
- (3) Unaudited Consolidated Interim Statement of Income and Summary of General and Administrative Expense for the three (3) month period from April 01 – June 30, 2021 and for the three (3) month period from April 01 – June 30, 2020 as Annex “C”;
- (4) Unaudited Consolidated Interim Statement of Changes in Stockholders’ Equity for the six (6) month periods ending 30 June 2021 and 30 June 2020 and Audited Consolidated Statement of Changes in Stockholders’ Equity for the year ending 31 December 2020 as Annex “D”;
- (5) Unaudited Consolidated Interim Cash Flow Statement for the six (6) month period ending 30 June 2021 and the six (6) month period ending 30 June 2020 as Annex “E”;
- (6) Interim Consolidated Cash Flow Statement for the three (3) month periods ending 30 June 2021 and 30 June 2020 as Annex “F”; and
- (7) Consolidated Balance Sheet as of 30 June 2021 and December 31, 2020 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 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 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 from ₱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.

**(a) Operating Results and Financial Condition for the Second Quarter of 2021**

- (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 second quarter of 2021 or in prior periods.
- (iv) There are no material commitments for capital expenditures, by the Company or its majority owned subsidiary and equity in net earnings of associates.

- (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 its majority owned subsidiary and unrealized gains on trading securities and equity in net earnings of associates. 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 second quarter of 2021 or in the second quarter of 2020 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 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	P 681	4.3%	P 1,988	5.5%	(1,307)	(65.7%)
From Securities	2,433	15.2%	3,123	8.7%	(690)	(22.1%)
<b>TOTAL</b>	<b>P 3,114</b>	<b>19.5%</b>	<b>P 5,111</b>	<b>14.2%</b>	<b>(1,997)</b>	<b>(39.1%)</b>
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%)
<b>TOTAL</b>	<b>P 16,009</b>	<b>100%</b>	<b>P 35,842</b>	<b>100%</b>	<b>(19,833)</b>	<b>(55.3%)</b>

**Revenues.** Consolidated revenues, during the 3 month period ended June 30, 2021 decreased by 55.3% to P16.0 million compared to P35.8 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 P9.2 million compared to P7.0 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 P6.8 million compared to P28.8 million in the second quarter of 2020.

**Net Income.** Net income totaled P6.8 million during the second quarter of 2021 compared to P28.8 million in the second quarter of 2020. Net income in the second quarter of 2021 attributable to shareholders of the company totaled P6.5 million while P0.3 million was attributable to minority shareholders in the company’s 94% owned subsidiary Magellan Capital Holdings Corporation (MCHC). In the second quarter of 2020, P27.4 million in net income was attributable to stockholders of the company while P1.4 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 P730.1 million compared to P751.7 million as of December 31, 2020. Most of the decrease was due to the lower cash and cash equivalents which decreased to P472.3 million as of June 30, 2021 from P523.5 million as of December 31, 2019. Financial assets at FVPL increased to P213.1 million as of June 30, 2021 from P161.0 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 P278.9 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 P350.1 million at year-end 2020 to P386.6 million at June 30, 2021.

**Property and Equipment.** This account totaled P5.4 million as of June 30, 2021 compared to P6.0 million as of December 31, 2020 due to additional depreciation allowance taken in the first half of 2021.

**Investment in Property.** This Account totaled P378.6 million at June 30, 2021 compared to P382.5 million at year end 2020 due to depreciation allowance provided in the first half of 2021.

**Other Non-Current Assets.** This account totaled P79.7 million as of June 30, 2021, compared to P48.3 million as of December 31, 2020.

**Total Assets.** As a result of the foregoing, total assets increased to P1,914.9 million as of June 30, 2021 from P1,873.6 million as of December 31, 2020.

### **Liabilities and Equity**

**Current Liabilities.** Current liabilities increased to P23.1 million as of June 30, 2021 from P18.6 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 P16.6 million as of June 30, 2021, from P19.3 million at year-end 2020.

**Stockholder's Equity.** Total stockholder's equity increased to P1,875.2 million as of June 30, 2021 from P1,835.7 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 P1,800.8 million at June 30, 2021 from P1,763.3 million at December 31, 2020. Minority interest which represents the share of minority shareholders of Magellan Capital Holdings Corporation was P74.4 million at June 30, 2021 compared to P72.4 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 <sup>nd</sup> Quarter 2021	Percentage (%)	2 <sup>nd</sup> Quarter 2020	Percentage (%)
Interest Income	P 3,114	19.5%	P 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%
<b>Total Income</b>	<b>P 16,009</b>	<b>100.00%</b>	<b>P 35,842</b>	<b>100.00%</b>

Total revenue decreased by 55.3% in the second quarter of 2021 to P16.0 million from P35.8 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 <sup>nd</sup> Quarter 2021	Percentage (%)	2 <sup>nd</sup> Quarter 2020	Percentage (%)
Revenues	P 16,009	100%	P 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	P 6,542	40.9%	P 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.

**PART II**  
**OTHER INFORMATION**

**1. Regular Board Meeting of the Corporation held on June 16, 2021**

The Board approved and adopted the following resolutions:

**1. Approval of Audited Financial Statements**

**“RESOLVED**, that the authority of the President, Mr. Robert Y. Cokeng, and Audit Committee to approve the Audited Financial Statements for the year ending December 31, 2020 and to approve its release by the Company’s External Auditor, KPMG – R.G.Manabat & Co., pursuant to the reportorial requirements of the BIR and SEC be, as it hereby, confirmed and ratified.”

**2. Authorize Person to submit SEC Reports via Online Submission Tool (OST)**

**“RESOLVED**, that the designation of Mark Ryan K. Cokeng, Treasurer as the Company representative for the submission of reportorial requirements with the Securities and Exchange Commission through Online Submission Tool (OST) be, as it is hereby, confirmed and ratified.”

**3. Date of Annual Stockholders’ Meeting**

**“RESOLVED**, that the Corporation’s Annual Stockholders’ Meeting be held on September 17, 2021, Friday at 2:00PM via Zoom app.”

**“RESOLVED FURTHER**, that for this purpose, ROBERT Y. COKENG, President, be as he is hereby authorized to represent the Corporation as well as to sign, execute and deliver any and all as may be necessary to be executed in implementation of the foregoing.”

## 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



**ROBERT Y. COKENG, President**

Signature and Title .....

Date ..... **04 August 2021**

### Principal Financial/Accounting Officer/Controller



**MARK RYAN K. COKENG, Treasurer**

Signature and Title .....

Date ..... **04 August 2021**

**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEET**  
**AS OF JUNE 30, 2021 AND DECEMBER 31, 2020**

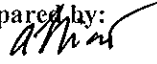
ANNEX "A"

Page 1

	UNAUDITED JUNE 30, 2021	AUDITED DEC. 31, 2020
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and cash equivalents	P 472,341,407	P 523,539,241
Financial assets at fair value through profit or loss	213,124,755	161,006,477
Convertible note receivable	0	0
Receivables-net :		
Advances to Officers & Employees	0	0
Interest Receivable	3,990,238	4,478,336
Dividends Receivable	3,585,109	21,488,467
Receivable from related parties	462,790	572,932
Others	2,216,536	5,208,087
Total Receivables	10,254,673	31,747,822
Allowance for impairment losses	961,368	961,368
<b>Total Receivables-Net</b>	<b>9,293,305</b>	<b>30,786,454</b>
Current portion of HTM investments	0	0
Current portion of AFS financial assets	500,200	582,302
<b>Prepaid expenses &amp; other current assets:</b>		
Input Tax	28,674,297	29,655,376
Prepaid Income Tax	1,210,210	1,210,210
Others	4,926,129	4,876,296
<b>Total Prepaid expenses and other current assets</b>	<b>34,810,636</b>	<b>35,741,882</b>
<b>Total Current Assets</b>	<b>P 730,070,303</b>	<b>P 751,656,356</b>
<i>Non-current Assets</i>		
Convertible notes receivable	42,121,200	42,121,200
Investments in associates	278,910,706	278,910,706
Deferred income tax asset	14,026,106	14,026,106
Financial assets at FVOCI-net of current portion	386,616,118	350,059,907
Investment in property	378,085,333	382,487,422
<b>Property and Equipment</b>		
Building	20,755,943	20,755,943
Building Improvements	8,764,062	8,764,062
Transportation equipment	7,234,510	7,234,510
Furniture and fixtures	3,068,124	3,064,597
Total	39,822,639	39,819,112
Less: Accumulated depreciation	34,420,708	33,780,159
Net Book Value	5,401,931	6,038,953
<b>Total Property and Equipment</b>	<b>5,401,931</b>	<b>6,038,953</b>
<b>Other non-current assets</b>	<b>79,668,397</b>	<b>48,324,598</b>
<b>Total Non-Current Assets</b>	<b>1,184,829,791</b>	<b>1,121,968,892</b>
<b>TOTAL ASSETS</b>	<b>P 1,914,900,094</b>	<b>P 1,873,625,248</b>

LIABILITIES & STOCKHOLDERS' EQUITY	UNAUDITED JUNE 30, 2021	AUDITED DEC. 31, 2020
<i>Current Liabilities</i>		
Accounts Payable and accrued expenses		
Accounts payable-trade	0	0
Accounts payable-others	0	0
Withholding taxes payable	223,128	451,196
SSS Premium Payable	19,907	16,443
HDMF Premium Payable	1,896	1,896
Philhealth Premium Payable	10,823	10,823
Deposit Payable	7,871,991	4,054,602
Output Vat Payable	1,477,714	651,426
Accrued expenses	1,706,243	1,610,827
<b>Total Accounts payable and accrued expenses</b>	<b>P 11,311,702</b>	<b>P 6,797,213</b>
Dividends Payable	6,827,293	6,827,293
Income Tax Payable	0	0
Provision for legal obligation	5,000,000	5,000,000
<b>Total Current Liabilities</b>	<b>P 23,138,995</b>	<b>P 18,624,506</b>
<i>Non-Current Liabilities</i>		
Deferred income tax liabilities-net	0	0
Deposits payable	0	2,726,766
Retirement benefit obligation	16,606,435	16,606,435
<b>Total Non-Current Liabilities</b>	<b>16,606,435</b>	<b>19,333,201</b>
<i>Stockholders' Equity</i>		
Capital stock	481,827,653	481,827,653
Additional paid in capital	144,759,977	144,759,977
Treasury shares	(102,094,826)	(102,094,826)
Unrealized gain on financial assets at FVOCI	(26,562,178)	(25,688,597)
Actuarial loss on retirement benefit obligation	(667,428)	(667,428)
Accumulated share in other comprehensive income of associates	74,492,608	74,492,608
Retained earnings	1,229,005,337	1,190,632,669
<b>Total Equity Attributable to Stockholders of the Company</b>	<b>1,800,761,143</b>	<b>1,763,262,056</b>
Minority Interest	74,393,521	72,405,485
<b>Total Stockholders' Equity</b>	<b>1,875,154,664</b>	<b>1,835,667,541</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>P 1,914,900,094</b>	<b>P 1,873,625,248</b>


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 SIX MONTHS PERIOD ENDING JUNE 30, 2021 AND JUNE 30, 2020**

	UNAUDITED JUNE 30, 2021	UNAUDITED JUNE 30, 2020
<b>REVENUES</b>		
<b>Interest Income</b>		
From Banks	P 1,260,570	P 4,366,632
From Securities	4,666,251	6,236,539
<b>Total Interest Income</b>	<b>5,926,821</b>	<b>10,603,171</b>
Unrealized gains on trading securities	39,704,099	0
Rental Income	10,499,663	12,201,237
Gains on disposal of financial assets at FVPL	91,833	0
Dividend Income	1,583,981	1,584,434
Realized forex gain	0	16,844
Realized gain on sale of FVPL	0	4,208,548
Other income	0	281,762
	<b>P 57,806,397</b>	<b>P 28,895,996</b>
<b>EXPENSES</b>		
	0	0
Realized loss on disposal of financial assets at FVPL	0	2,739,960
Net foreign exchange loss	25,630	0
Salaries, wages and employees' benefits	5,671,258	5,724,060
Depreciation	5,042,641	5,102,262
Professional fees	1,393,656	860,206
Condominium dues	1,673,757	1,505,423
Realized loss on disposal/redemption of bonds	0	0
Taxes and licenses	932,057	990,310
Entertainment, amusement and recreation	43,927	38,263
Unrealized loss on financial assets at FVPL	0	17,231,141
Others	2,662,767	1,191,862
	<b>17,445,693</b>	<b>35,383,487</b>
<b>NET INCOME</b>	<b>P 40,360,704</b>	<b>P (6,487,491)</b>
<b>NET INCOME ATTRIBUTABLE TO:</b>		
<b>STOCKHOLDERS OF THE COMPANY</b>	<b>P 38,372,668</b>	<b>P (6,124,691)</b>
<b>MINORITY INTERESTS</b>	<b>1,988,036</b>	<b>(362,800)</b>
<b>EARNINGS PER SHARE</b>	<b>P 0.010</b>	<b>P (0.016)</b>

*See accompanying Notes to Consolidated Financial Statements*

Prepared by:   
**ARSENIO T. LIAO**  
Accountant

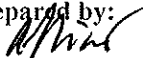


**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS PERIOD ENDING JUNE 30, 2021 AND JUNE 30, 2020**

	UNAUDITED JUNE 30, 2021	UNAUDITED JUNE 30, 2020
<b>NET INCOME</b>	<b>P 40,360,704</b>	<b>P (6,487,491)</b>
<b>OTHER COMPREHENSIVE INCOME(LOSS)</b>		
Changes in fair value of AFS investments	-	-
Amortization of unrealized losses on changes in fair value of AFS investments		
Unrealized gain/loss on financial assets at FVOCI	873,581	238,695
Impairment loss on AFS investments		
Others		
	<u>873,581</u>	<u>238,695</u>
<b>TOTAL COMPREHENSIVE INCOME(LOSS)</b>	<b>P 41,234,285</b>	<b>P (6,248,796)</b>
<b>TOTAL COMPREHENSIVE INCOME(LOSS)</b>		
<b>ATTRIBUTABLE TO:</b>		
<b>STOCKHOLDERS OF THE COMPANY</b>	<b>P 39,172,570</b>	<b>P (5,936,356)</b>
<b>MINORITY INTERESTS</b>	<b>2,061,715</b>	<b>(312,440)</b>
	<u>P 41,234,285</u>	<u>P (6,248,796)</u>

*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 APRIL 1-JUNE 30, 2021 AND APRIL 1-JUNE 30, 2020**

	UNAUDITED APRIL 1- JUNE 30, 2021	UNAUDITED APRIL 1- JUNE 30, 2020
<b>REVENUES</b>		
<b>Interest Income</b>		
From Banks	P 681,152	P 1,988,018
From Securities	2,433,255	3,122,656
<b>Total Interest Income</b>	<b>3,114,407</b>	<b>5,110,674</b>
Unrealized gains on trading securities	6,021,557	22,220,793
Rental Income	5,352,376	5,472,535
Dividend Income	1,428,776	1,271,235
Realized forex gain	0	16,844
Realized gain on sale of FVPL	91,833	1,468,588
Other income	0	281,762
	<b>P 16,008,949</b>	<b>P 35,842,431</b>
<b>EXPENSES</b>		
Net foreign exchange loss	0	0
Amortization of unrealized losses on changes in fair value of AFS investments	0	0
Salaries, wages and employees' benefits	2,845,821	2,895,181
Depreciation	2,521,307	2,551,588
Professional fees	1,089,651	300,936
Condominium dues	916,747	698,552
Realized loss on disposal/redemption of bonds/FVOCI	0	0
Taxes and licenses	72,479	82,279
Entertainment, amusement and recreation	31,807	0
Unrealized loss on financial assets at FVPL	0	0
Others	1,700,324	509,679
	<b>9,178,136</b>	<b>7,038,215</b>
<b>NET INCOME</b>	<b>P 6,830,813</b>	<b>P 28,804,216</b>
<b>NET INCOME ATTRIBUTABLE TO:</b>		
<b>STOCKHOLDERS OF THE COMPANY</b>	<b>P 6,542,374</b>	<b>P 27,364,005</b>
<b>MINORITY INTERESTS</b>	<b>288,439</b>	<b>1,440,211</b>
<b>EARNINGS PER SHARE</b>	<b>P 0.017</b>	<b>P 0.071</b>

*See accompanying Notes to Consolidated Financial Statements*

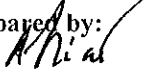
Prepared by: 

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**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS PERIOD APRIL 1-JUNE 30,2021 AND APRIL 1-JUNE 30,2020**

	UNAUDITED APRIL 1- JUNE 30,2021	UNAUDITED APRIL 1-JUNE 30,2020
<b>NET INCOME</b>	<b>P 6,830,813</b>	<b>P 28,804,216</b>
<b>OTHER COMPREHENSIVE INCOME(LOSS)</b>		
Changes in fair value of AFS investments	-	-
Amortization of unrealized losses on changes in fair value of AFS investments		
Unrealized gain/loss on financial assets at FVOCI	(134,950)	6,408,815
Impairment loss on AFS investments		
Others		
	(134,950)	6,408,815
<b>TOTAL COMPREHENSIVE INCOME(LOSS)</b>	<b>P 6,695,863</b>	<b>P 35,213,031</b>
<b>TOTAL COMPREHENSIVE INCOME(LOSS)</b>		
<b>ATTRIBUTABLE TO:</b>		
<b>STOCKHOLDERS OF THE COMPANY</b>	<b>P 6,361,070</b>	<b>P 33,452,379</b>
<b>MINORITY INTERESTS</b>	<b>334,793</b>	<b>1,760,652</b>
	<b>P 6,695,863</b>	<b>P 35,213,031</b>

*See accompanying Notes to Consolidated Financial Statements*

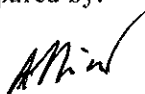
Prepared by:   
**ARSENIO T. LIAO**  
 Accountant

**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND JUNE 30, 2020 AND THE YEAR ENDED**  
**DECEMBER 31, 2020**

	UNAUDITED	UNAUDITED	AUDITED
	JUNE 30, 2021	JUNE 30, 2020	DEC. 31, 2020
<b>CAPITAL STOCK</b>			
Balance at beginning of year	481,827,653 <sup>P</sup>	481,827,653 <sup>P</sup>	481,827,653
Exercise of stock warrants			
Issuance of additional shares of stock			
Subscription of additional shares of stock			
<b>Balance at end of period</b>	<b>481,827,653</b>	<b>481,827,653</b>	<b>481,827,653</b>
<b>ADDITIONAL PAID-IN CAPITAL</b>			
Treasury Shares	(102,094,826)	(101,969,326)	(102,094,826)
Unrealized gain on financial assets at FVOCI	(26,562,178)	(18,319,500)	(25,688,597)
Other Reserves			
Actuarial loss on retirement benefit obligation	(667,428)	(2,959,003)	(667,428)
Share in other comprehensive income of associates	74,492,608	90,849,242	74,492,608
<b>SHARE IN REVALUATION INCREMENT ON</b> <b>LAND OWNED BY MCHC's</b> <b>SUBSIDIARIES</b>			
<b>RETAINED EARNINGS</b>			
Balance at beginning of period	1,190,632,669	1,185,978,067	1,185,978,066
Net Income	38,372,668	(6,124,691)	43,024,955
Dividends declared			(38,370,292)
<b>Balance at end of period</b>	<b>1,229,005,337</b>	<b>1,179,853,376</b>	<b>1,190,632,669</b>
	<b>1,800,761,143</b>	<b>1,774,042,419</b>	<b>1,763,262,056</b>
Minority Interests	74,393,522	71,894,191	72,405,485
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>1,875,154,665<sup>P</sup></b>	<b>1,845,936,610<sup>P</sup></b>	<b>1,835,667,541</b>

*See accompanying Notes to Consolidated Financial Statements*

Prepared by:



**ARSENIO T. LIAO**  
Accountant

**F & J PRINCE HOLDINGS CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS PERIOD ENDING JUNE 30, 2021 AND JUNE 30, 2020**

	UNAUDITED JUNE 30, 2021	UNAUDITED JUNE 30, 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	P 38,372,668	P (6,124,691)
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority Interest	1,988,036	(362,800)
Net unrealized gains on financial assets at FVOCI	(873,581)	238,695
Depreciation and amortization	5,042,641	3,628,929
Amortization of unrealized loss/gain on FV of AFS inv.		
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	21,493,149	2,358,487
Prepaid expenses and other current assets	931,246	(1,858,491)
Increase (decrease) in accounts payable and accrued expenses	4,514,489	(2,882,915)
<i>Net cash provided by operating activities</i>	<u>71,468,648</u>	<u>(5,002,786)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions/disposals of property and equipment	(3,527)	1,574,817
AFS/HTM investments and financial assets (FVPL)	0	0
Financial assets at FVOCI and FVPL	(88,592,390)	(3,063,031)
Investment in property		
Decrease (increase) in:		
Other assets	(31,343,799)	24,972
<i>Net cash provided by (used in) investing activities</i>	<u>(119,939,716)</u>	<u>(1,463,242)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in:		
Dividends payable	0	(843,169)
Deposits payable	(2,726,766)	33,000
Income tax payable	0	(9,018,761)
<i>Net cash provided by (used in) financing activities</i>	<u>(2,726,766)</u>	<u>(9,828,930)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>P (51,197,834)</b>	<b>P (16,294,958)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b>523,539,241</b>	<b>582,252,670</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>P 472,341,407</b>	<b>P 565,957,712</b>

See accompanying Notes to Consolidated Financial Statements

Prepared by:



ARSENIO T. LIAO  
Accountant

**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE 3 MONTHS PERIOD APRIL 1-JUNE 30, 2021 AND APRIL 1-JUNE 30, 2020**

	UNAUDITED APRIL 1- JUNE 30,2021	UNAUDITED APRIL 1- JUNE 30,2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	P 6,542,374	P 27,364,005
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in net earnings in associate		
Minority interest	288,439	1,440,211
Depreciation and amortization	2,521,307	1,078,255
Unrealized loss/gain on changes in fair value of AFS/FVPL	0	0
Net unrealized loss/gain on financial assets at FVOCI	(134,950)	6,408,815
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	13,857,254	99,348
Prepaid expenses and other current assets	623,495	(214,687)
Increase (decrease) in:		
Accounts payable and accrued expenses	2,846,670	(1,325,672)
<b>Net cash provided by operating activities</b>	<b>26,544,589</b>	<b>34,850,275</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions/disposals of property and equipment	0	1,574,817
Investment in property	0	0
AFS/HTM/other investments and financial assets (FVPL)		
Financial assets at FVOCI and FVPL	(32,770,897)	(48,565,101)
Decrease (increase) in:		
Other assets	(9,673,600)	0
<b>Net cash provided by (used in) investing activities</b>	<b>(42,444,497)</b>	<b>(46,990,284)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in:		
Cash dividends declared and paid	0	0
Deposits payable	(2,555,315)	0
Dividends payable	0	(843,169)
Income tax payable	0	(9,018,761)
<b>Net cash provided by (used in) financing activities</b>	<b>(2,555,315)</b>	<b>(9,861,930)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>P (18,455,223)</b>	<b>P (22,001,939)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b>490,796,630</b>	<b>587,959,651</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>P 472,341,407</b>	<b>P 565,957,712</b>

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2021 AND DECEMBER 31, 2020  
WITH VERTICAL AND HORIZONTAL PERCENTAGE ANALYSIS

"ANNEX G"

Page 1

	UNAUDITED3 JUNE 30, 2021	VERTICAL PERCENTAGE ANALYSIS JUNE 30, 2021	AUDITED DEC. 31,2020	VERTICAL PERCENTAGE ANALYSIS DEC. 31, 2020	INCREASE (DECREASE) AMOUNT JUNE30, 2021	INCREASE (DECREASE) PERCENTAGE ANALYSIS JUNE 30, 2021
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	472,341,407	24.66%	523,539,241	27.94%	(51,197,834)	-9.78%
Financial assets at fair value through fair value thru profit or loss (FVPL)	213,124,755	11.13%	161,006,477	8.59%	52,118,278	32.37%
Short-term investments	-	-	-	-	--	-
Receivables :						
Advances to Officers & Employees	0	0.00%	0	0.00%	0	0.00%
Interest Receivable	3,990,238	0.21%	4,478,336	0.24%	(488,098)	-10.90%
Dividends Receivable	3,585,109	0.19%	21,488,467	1.15%	(17,903,358)	-83.32%
Receivable from related parties	462,790	0.02%	572,932	0.03%	(110,142)	-19.22%
Others	2,216,536	0.12%	5,208,087	0.28%	(2,991,551)	-57.44%
<b>Total Receivables</b>	<b>10,254,673</b>	<b>0.54%</b>	<b>31,747,822</b>	<b>1.70%</b>	<b>(21,493,149)</b>	<b>-67.70%</b>
Allowance for impairment losses	961,368	-0.05%	961,368	-0.05%	0	0.00%
<b>Total Receivables-Net</b>	<b>9,293,305</b>	<b>0.49%</b>	<b>30,786,454</b>	<b>1.65%</b>	<b>(21,493,149)</b>	<b>-69.81%</b>
Current portion of HTM investments	0	0.00%	0	0.00%	0	0.00%
Current portion of fin. assets at FVOCI	500,200	0.03%	582,302	0.03%	(82,102)	-14.10%
Prepaid expenses & other current assets:						
Others	4,926,129	0.26%	4,876,296	0.26%	49,833	1.02%
Input Tax	28,674,297	1.50%	29,655,376	1.59%	(981,079)	-3.31%
Prepaid Income Tax	1,210,210	0.06%	1,210,210	0.06%	0	0.00%
<b>Total Prepaid expenses &amp; other current assets</b>	<b>34,810,636</b>	<b>1.82%</b>	<b>35,741,882</b>	<b>1.91%</b>	<b>(931,246)</b>	<b>-2.61%</b>
<b>Total Current Assets</b>	<b>730,070,303</b>	<b>38.13%</b>	<b>751,656,356</b>	<b>40.12%</b>	<b>(21,586,053)</b>	<b>-2.87%</b>
<b>Non-current Assets</b>						
Convertible notes receivable	42,121,200	2.20%	42,121,200	2.25%	0	0.00%
Investments in associates	278,910,706	14.57%	278,910,706	14.89%	0	0.00%
Financial assets at FVOCI	386,616,118	20.19%	350,059,907	18.68%	36,556,211	10.44%
Investment in properties	378,085,333	19.74%	382,487,422	20.40%	(4,402,089)	-1.15%
Property and Equipment						
Building	20,755,943	1.08%	20,755,943	1.11%	0	0.00%
Building Improvements	8,764,062	0.46%	8,764,062	0.47%	0	0.00%
Transportation equipment	7,234,510	0.38%	7,234,510	0.39%	0	0.00%
Furniture and fixtures	3,068,124	0.16%	3,064,597	0.16%	3,527	0.12%
<b>Total Property and Equipment</b>	<b>39,822,639</b>	<b>2.08%</b>	<b>39,819,112</b>	<b>2.13%</b>	<b>3,527</b>	<b>0.01%</b>
<b>Less: Accumulated depreciation</b>	<b>34,420,708</b>	<b>-1.80%</b>	<b>33,780,159</b>	<b>-1.80%</b>	<b>640,549</b>	<b>1.90%</b>
<b>Net Book Value</b>	<b>5,401,931</b>	<b>0.28%</b>	<b>6,038,953</b>	<b>0.33%</b>	<b>(637,022)</b>	<b>-10.55%</b>
<b>Total Property and Equipment</b>	<b>5,401,931</b>	<b>0.28%</b>	<b>6,038,953</b>	<b>0.33%</b>	<b>(637,022)</b>	<b>-10.55%</b>
Deferred income tax assets-net	14,026,106	0.73%	14,026,106	0.75%	0	0.00%
Other Assets – net	79,668,397	4.16%	48,324,598	2.58%	31,343,799	64.86%
<b>Total Non-Current Assets</b>	<b>1,184,829,791</b>	<b>61.87%</b>	<b>1,121,968,892</b>	<b>59.88%</b>	<b>62,860,899</b>	<b>5.60%</b>
<b>TOTAL ASSETS</b>	<b>1,914,900,094</b>	<b>100.00%</b>	<b>1,873,625,248</b>	<b>100.00%</b>	<b>41,274,846</b>	<b>2.20%</b>

	UNAUDITED JUNE 30, 2021	VERTICAL PERCENTAGE ANALYSIS JUNE 30, 2021	AUDITED DEC. 31, 2020	VERTICAL PERCENTAGE ANALYSIS DEC. 31, 2020	INCREASE (DECREASE) AMOUNT JUNE 30, 2021	INCREASE (DECREASE) PERCENTAGE ANALYSIS JUNE 30, 2021
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>						
<b>Current Liabilities</b>						
<b>Accounts Payable and accrued expenses</b>						
Accounts payable-trade	0	0.00%	0	0.00%	0	0.00%
Accounts payable-others	0	0.01%	0	0.00%	0	0.00%
Withholding taxes payable	223,128	0.01%	451,196	0.02%	(228,068)	-50.55%
SSS Premium Payable	19,907	0.00%	16,443	0.00%	3,464	21.07%
HDMF Premium Payable	1,896	0.00%	1,896	0.00%	0	0.00%
Philhealth Premium Payable	10,823	0.00%	10,823	0.00%	0	0.00%
Deposit Payable	7,871,991	0.40%	4,054,602	0.22%	3,817,389	94.15%
Output Vat Payable	1,477,714	0.08%	651,426	0.03%	826,288	126.84%
Accrued expenses	1,706,243	0.09%	1,610,827	0.09%	95,416	5.92%
<b>Total Accounts payable &amp; accrued expenses</b>	<b>11,311,702</b>	<b>0.58%</b>	<b>6,797,213</b>	<b>0.36%</b>	<b>4,514,489</b>	<b>66.42%</b>
Dividends Payable	6,827,293	0.36%	6,827,293	0.36%	0	0.00%
Income Tax Payable	0	0.00%	0	0.00%	0	0.00%
Provision for legal obligation	5,000,000	0.27%	5,000,000	0.27%	0	0.00%
<b>Total Current Liabilities</b>	<b>23,138,995</b>	<b>1.21%</b>	<b>18,624,506</b>	<b>0.99%</b>	<b>4,514,489</b>	<b>24.24%</b>
<b>Non-Current Liabilities</b>						
Deposits payable	0	0.00%	2,726,766	0.15%	(2,726,766)	-100.00%
Retirement benefit obligation	16,606,435	0.87%	16,606,435	0.89%	0	0.00%
<b>Total Non-Current Liabilities</b>	<b>16,606,435</b>	<b>0.87%</b>	<b>19,333,201</b>	<b>1.04%</b>	<b>(2,726,766)</b>	<b>-14.10%</b>
<b>Stockholders' Equity</b>						
Capital stock	481,827,653	25.16%	481,827,653	25.72%	0	0.00%
Additional paid in capital	144,759,977	7.56%	144,759,977	7.73%	0	0.00%
Unrealized gain on fin. assets at FVOCI	(26,562,178)	-1.39%	(25,688,597)	-1.37%	(873,581)	3.40%
Actuarial loss on retirement obligation	(667,428)	-0.03%	(667,428)	-0.04%	0	0.00%
Accumulated share in OCI of associates	74,492,608	3.89%	74,492,608	3.98%	0	0.00%
Treasury shares	(102,094,826)	-5.33%	(102,094,826)	-5.45%	0	0.00%
Retained earnings	1,229,005,337	64.19%	1,190,632,669	63.54%	38,372,668	3.22%
<b>Total Equity Attributable to Stockholders of the Company</b>	<b>1,800,761,143</b>	<b>94.05%</b>	<b>1,763,262,056</b>	<b>94.11%</b>	<b>37,499,087</b>	<b>2.13%</b>
Minority Interest	74,393,521	3.87%	72,405,485	3.86%	1,988,036	2.75%
<b>Total Stockholders' Equity</b>	<b>1,875,154,664</b>	<b>97.92%</b>	<b>1,835,667,541</b>	<b>97.97%</b>	<b>39,487,123</b>	<b>2.15%</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>1,914,900,094</b>	<b>100.00%</b>	<b>1,873,625,248</b>	<b>100.00%</b>	<b>41,274,846</b>	<b>2.20%</b>



## F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 1. Corporate Information

F & J Prince Holdings Corporation (the "Parent Company") was incorporated in the Philippines and 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 Parent Company is a public company under Section 17.2 of the Securities Regulation Code and its shares of stock are listed in and traded through the Philippine Stock Exchange, Inc. (PSE). The principal activities of its subsidiaries are described in Note 2.

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

The consolidated financial statements of the Parent Company and its subsidiaries (collectively referred to as the "Group") as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 were authorized for issue by the Board of Directors (BOD) on May 28, 2021.

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#### 2. Basis of Preparation

##### Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs, which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

##### Basis of Measurement

The consolidated financial statements have been prepared under the historical cost basis of accounting, except for financial assets at FVTPL and certain investments in debt and equity securities that have been measured at FVOCI (see Notes 7 and 10).

#### Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Group's functional currency. All amounts presented in Philippine peso have been rounded off to the nearest peso, unless otherwise indicated.

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries and the Group's interest in associates accounted for under equity method of accounting as at December 31, 2020 and 2019.

Control is achieved when the Group has power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee), is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

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

Details on the subsidiaries as of December 31, 2020 and 2019 are as follows:

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

*\*Intermediate parent company*

*\*\*Non-operational since incorporation.*

#### *MCHC*

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

#### *PIEI*

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

#### *MC*

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

#### *MCRDC*

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

#### *MCTC*

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

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### **3. Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, except for the changes in accounting policies explained below.

The Group has adopted amendments to standards, including any consequential amendments to other standards, with date of initial application of January 1, 2020.

#### Adoption of Amendments to Standards

The Group has adopted the following amendments to standards starting January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Group's consolidated financial statements.

- *Amendments to References to Conceptual Framework in PFRSs* sets out amendments to PFRSs, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:
  - a new chapter on measurement;
  - guidance on reporting financial performance;
  - improved definitions of an asset and a liability, and guidance supporting these definitions; and
  - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- *Definition of a Business (Amendments to PFRS 3, Business Combinations)*. The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments:
  - confirmed that a business must include inputs and a process, and clarified that:
    - the process must be substantive; and
    - the inputs and process must together significantly contribute to creating outputs;
  - narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and

- added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.
- *Definition of Material (Amendments to PAS 1, Presentation of Financial Statements and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors)*. The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:
  - a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';
  - b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;
  - c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
  - d) clarifying the explanatory paragraphs accompanying the definition; and
  - e) aligning the wording of the definition of material across PFRS Standards and other publications.

The amendments are expected to help entities make better materiality judgements without substantively changing existing requirements.

- *Interest Rate Benchmark Reform (Amendments to PFRS 9, Financial Instruments, PAS 39, Financial Instruments: Recognition and Measurement and PFRS 7, Financial Instruments: Disclosures)*. The amendments provide temporary exceptions to all hedging relationships directly affected by interest rate benchmark reform - the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate such as that resulting from the recommendations set out in the Financial Stability Board's July 2014 report 'Reforming Major Interest Rate Benchmarks'. The exceptions relate to the following requirements:
  - The highly probable requirement. When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.
  - Prospective assessments. When performing prospective assessments, a company shall assume that the interest rate benchmark on which the hedged

item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

- PAS 39 retrospective assessment. An entity is not required to undertake the PAS 39 retrospective assessment for hedging relationships directly affected by the reform. However, the entity must comply with all other PAS 39 hedge accounting requirements, including the prospective assessment.
- Separately identifiable risk components. For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

#### Amendments to Standards Issued But Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after January 1, 2020. However, the Group has not early adopted the following amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

The Group will adopt the following amendments to standards that are relevant to the Group on the respective effective dates:

##### *Effective January 1, 2022*

- *Onerous Contracts – Cost of Fulfilling a Contract (Amendment to PAS 37, Provisions, Contingent Liabilities and Contingent Assets)*. The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract – i.e. it comprises both incremental costs and an allocation of other direct costs.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- *Annual Improvements to PFRS Standards 2018-2020*. This cycle of improvements contains amendments to four standards. Improvement relevant to the Group is as follows:
  - *Fees in the '10 percent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9)*. The amendment clarifies that for the purpose of performing the '10 percent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

*Effective January 1, 2023*

- *Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1)*. To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
  - clarified that a right to defer settlement exists only if the Group complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

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

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

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

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

#### Current versus Noncurrent Classification

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

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

All other assets are classified as noncurrent.

A liability is classified as current when:

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

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent.

#### Fair Value Measurement

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

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

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

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

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and



best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

*'Day 1' Profit.* Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss. In cases where no observable data are used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

#### Cash and Cash Equivalents

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

#### Financial Instruments

##### *Financial Assets*

*Initial Recognition and Measurement.* Financial assets are classified, at initial

recognition, as subsequently measured at amortized cost, FVOCI, and FVTPL.

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 FVTPL, 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, *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, 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 FVOCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at FVTPL.

*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 effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in the consolidated statement 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 statement 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 statement 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 statement of income.

The Group has debt instruments at FVOCI amounting to P191.2 million and P235.9 million as at December 31, 2020 and 2019, respectively (see Note 10).

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement 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 statement of comprehensive income. Equity instruments designated at FVOCI are not subject to impairment.

The Group elected to classify irrevocably its quoted equity securities under this category amounting to P45.5 million and P64.6 million as at December 31, 2020 and 2019, respectively (see Note 10).

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

recognition if doing so eliminated, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value. Gains and losses arising from fair value changes are recognized in consolidated statement of 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 statement of income when the right of payment has been established.

The Group has financial assets at FVTPL amounting to P161.0 million and P248.6 million as at December 31, 2020 and 2019, respectively (see note 7).

*Impairment of Financial Assets.* The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. 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 Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### *Financial Liabilities*

*Initial Recognition and Measurement.* Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the EIR method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

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).

### 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 retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; 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 statement of income.

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right to offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

#### Value-added Tax (VAT)

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

#### Investments in Associates

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

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

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

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

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

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

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

The Group has equity interest in the following associates as of December 31, 2020 and 2019:

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

#### Investment Properties

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

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

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

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

## Property and Equipment

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

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

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

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

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

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

## Impairment of Nonfinancial Assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value



less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

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

#### Capital Stock and Additional Paid-in Capital

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

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

#### Treasury Shares

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

#### Retained Earnings

Retained earnings represent accumulated profit attributable to equity holders of the Group after deducting dividends declared. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

#### Revenue Recognition

Revenue is recognized when control over a product or service is transferred to the customer, or the customer has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

#### *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.

#### *Dividend Income*

Dividend income 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.

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.

#### *Other Income*

Other income earned outside the normal course business is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

#### Expenses

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

#### Retirement Benefits

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

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

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

- The date of the plan amendment or curtailment; and

- The date that the Group recognizes related restructuring costs

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

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

#### Leases

##### *As a lessor*

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Group applies PFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in PFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognizes lease payments received under operating leases as income on a straight line basis over the lease term in the consolidated statement of income.

#### Foreign Currency Transactions

The consolidated financial statements are presented in Philippine peso, which is the Group's functional currency. Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated using the functional currency spot rates of exchange at the reporting date. Differences arising from settlement or translation of monetary items are recognized in consolidated statement of income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the dates when the fair values are determined. The gain or loss arising on translation of nonmonetary items measured at fair values is treated in line with the recognition of gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in the consolidated statement of

comprehensive income or the consolidated statement of income are also recognized in the consolidated statement of comprehensive income or consolidated statement of income, respectively).

#### Income Taxes

##### *Current Income Tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

##### *Deferred Income Tax*

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

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

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

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

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

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income

will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred income tax asset to be recovered.

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

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

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

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

#### Provisions, Contingent Liabilities and Contingent Assets

##### *Provisions*

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

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

##### *Contingent Liabilities and Contingent Assets*

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

#### Earnings Per Share (EPS)

Basic EPS amounts are calculated by dividing net income for the year attributable to

equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

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

As at December 31, 2020, 2019 and 2018, the Group does not have any dilutive potential common shares. Hence, diluted EPS is the same as basic EPS.

#### Segment Reporting

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

#### Events After the Reporting Period

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

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### **5. Significant Accounting Judgments, Estimates and Assumptions**

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

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

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

#### *Determination of Significant Influence over an Investee Company*

The Group considers its investments in PTC, BPO and MUDC as investments in

associates. The Group concluded that it has more than 20% ownership interest and has significant influence over the operating and financial policies of its investments in associates due to the following:

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

#### *Determining Noncontrolling Interest (NCI) that is Material to the Group*

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

#### *Classification of Financial Instruments*

The Group exercises judgments in classifying a financial instrument, or its component parts, upon initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

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

#### *Contractual Cash Flows Assessment*

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*

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

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

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

#### Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

#### *Determination of Fair Values of Financial Instruments*

The Group carries and discloses certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., quoted prices, interest rates and foreign exchange rates), the amount of changes in fair value would differ if the Group utilized a different valuation methodology.

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



these factors could affect the reported fair value of financial instruments.

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

#### *Estimating Provision for ECL*

The Group uses the general approach to calculate ECL for receivables and amounts due from related parties. The Group tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECL at each reporting date. The information about the Group's ECLs is disclosed in Note 21.

In 2020, the Group did not recognize additional provision for ECLs on its receivables and due from related parties.

As at December 31, 2020, the aggregate allowance for ECLs on receivables and due from related parties amounted to P188.7 million. The receivables and due from related parties, net of allowance for ECLs, amounted to P30.8 million and P23.3 million as at December 31, 2020 and 2019, respectively (see Notes 8 and 17).

#### *Estimating Impairment of Debt Securities Classified as Financial Assets at FVOCI*

The Group assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Group assesses whether the credit risk on that financial instruments has increased significantly since initial recognition.

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

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

The Group recognized impairment loss for debt securities classified as financial assets at FVOCI amounting to nil and P0.7 million in 2020 and 2019, respectively (see Note 10). The carrying value of debt securities classified as financial assets at FVOCI amounted to P191.2 million and P235.9 million as at December 31, 2020 and 2019, respectively.

#### *Estimating Impairment of Investments in Associates*

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

discount rate to calculate the present value of those future cash flows.

The carrying amount of investments in associates amounted to P278.9 million and P277.6 million as at December 31, 2020 and 2019, respectively. Allowance for impairment losses on the Group's investments in associates amounted to P94.8 million as at December 31, 2020 and 2019 (see Note 9).

#### *Estimating Impairment of Nonfinancial Assets*

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

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

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

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

The Group has not identified any events or changes in circumstances that would indicate an impairment of its nonfinancial assets as of December 31, 2020 and 2019 as follows:

	<i>Note</i>	<b>2020</b>	2019
Prepayments and other current assets		<b>P36,898,924</b>	P33,303,803
Property and equipment	11	<b>6,038,953</b>	7,283,121
Investment properties	12	<b>382,487,422</b>	391,291,609
Other noncurrent assets		<b>48,324,597</b>	2,877,538
		<b>P473,749,896</b>	P434,756,071

#### *Estimating Realizability of Deferred Income Tax Assets*

Deferred income tax asset is recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable income will be available in the future against which the deductible temporary differences can be utilized. Significant management estimate is required to determine the amount of deferred tax asset that can be recognized, based upon the likely timing and level of future taxable income

together with future tax planning strategies. The Group did not recognize deferred income tax assets on its deductible temporary differences amounting to P250.6 million as of December 31, 2020 and 2019 as management believes that sufficient future taxable income will not be available to allow all or part of the deferred income tax asset to be utilized (see Note 15).

*Estimating Provision for Legal Obligation*

The estimate of provision for legal obligation has been developed by management. The management currently does not believe the provision will have a material adverse effect on its consolidated financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates of provisions. In 2011, the Group recognized provision for legal obligation amounting to P5.0 million for claim arising from lawsuit which is either awaiting decision by the courts or is subject to settlement obligations (see Note 20). No additional provisions were recognized in 2020 and 2019.

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**6. Cash and Cash Equivalents**

	<b>June, 2021</b>	2020
Cash on hand and with banks	<b>P70,326,906</b>	P123,541,916
Short-term placements	<b>402,014,501</b>	399,997,325
	<b>P472,341,407</b>	<b>P523,539,241</b>

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Cash in banks earns interest at the respective bank deposit rates. Short-term placements are fixed rate time deposits denominated in United States Dollar (USD) and Philippine peso, made for varying periods of up to three months or less subject to roll-over requirements of the Group, depending on the immediate cash requirements of the Group, and earn interest at the respective bank rates ranging from 0.6% to 3.8% in 2020 and 1.5% to 6.2% in 2019.

Interest income earned from these bank deposits and short-term placements amounted to P7.9 million, P18.9 million and P13.6 million in 2020, 2019 and 2018, respectively.

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**7. Financial Assets at FVTPL**

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

The carrying value of financial assets at FVTPL includes cumulative unrealized gain on fair value changes amounting to P50.7 million and P55.1 million as at December 31, 2020 and 2019.

As of June 30, 2021, the financial assets at FVTPL is valued at P213,124,755.

Dividend income earned on investments in financial assets at FVTPL amounted to P2.9 million, P4.0 million and P1.4 million in 2020, 2019 and 2018, respectively.

The Group recognized gain on disposal of financial asset at FVTPL amounting to P21.9 million, P0.1 million and nil in 2020, 2019 and 2018, respectively.

#### 8. Receivables - net

	<i>Note</i>	June, 2021	2020
Third parties:			
Accrued interest		P3,990,598	P4,478,337
Rent receivables	22	1,590,729	5,135,245
Others		625,447	69,841
Balances at end of year		6,206,774	9,683,423
Less allowance for expected credit losses		(961,368)	961,368
		<b>P5,245,406</b>	<b>P8,722,055</b>

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

#### 9. Investments in Associates - net

	June, 2021	2020
Acquisition cost	P193,760,135	P193,760,135
Accumulated equity in net earnings:		
As at beginning of year	178,669,649	178,669,649
Share in net income (losses) of associates	32,071,045	32,071,045
Dividends declared by associates	(14,403,360)	(14,403,360)
Share in OCI of associates	419,894	419,894
Cumulative translation adjustment	(16,776,528)	(16,776,528)
As at end of year	179,980,700	179,980,700
	373,740,835	373,740,835
Less allowance for impairment losses	(94,830,129)	(94,830,129)
	<b>P278,910,706</b>	<b>P278,910,706</b>

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

	Country of Incorporation	Percentage of Ownership	Carrying Amount of Investment	
			2020	2019
MUDC	Philippines	43%	94,830,129	P94,830,129
Less allowance for impairment losses			(94,830,129)	(94,830,129)
			-	-
PTC	Philippines	30%	203,003,334	207,396,660
BPO	Philippines	35%	75,907,372	70,358,809
			<b>278,910,706</b>	<b>P277,755,469</b>

#### 10. Financial Assets at FVOCI

	June, 2021	2020
Quoted:		
Debt securities - at fair value; net of allowance for impairment loss of P2.1 million in 2020 and 2019	<b>P227,590,816</b>	P191,116,707
Equity securities	<b>45,475,225</b>	45,475,225
Unquoted equity securities	<b>114,050,277</b>	114,050,277
	<b>387,116,318</b>	350,642,209
Less current portion	<b>500,200</b>	582,302
	<b>P386,616,118</b>	<b>P350,059,907</b>

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

	2020	2019
Balance beginning of the year	<b>P300,512,853</b>	P431,031,604
Additions	<b>115,288,123</b>	15,506,600
Changes recognized in profit or loss	<b>20,154,411</b>	(8,216,708)
Net unrealized valuation loss	<b>(8,982,660)</b>	(43,803,871)
Disposals	<b>(76,330,518)</b>	(94,004,772)
Balances at end of year	<b>P350,642,209</b>	<b>P300,512,853</b>

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 statement of comprehensive income. The debt securities bear fixed interest rates ranging from 4.55% to 9.63% in 2020 and 4.38% to 13.63% in 2019. 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 at December 31, 2020 and 2019. 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 financial assets are as follows:

	2020	2019
Balance at beginning of year	<b>(P13,073,284)</b>	P23,979,813
Changes in fair value	<b>(3,191,462)</b>	(34,163,736)
Disposals	<b>(4,314,224)</b>	(3,563,773)
Expected credit losses	-	674,413
Balances at end of year	<b>(P20,578,970)</b>	(P13,073,284)

Allowance for expected credit losses on financial assets at FVOCI debt instruments financial assets amounted to P2.1 million as of December 31, 2020 and 2019.

Net unrealized valuation losses on financial assets at FVOCI attributable to equity holders of the Parent Company amounted to P7.1 million and P18.5 million in 2020 and 2019, respectively.

Interest earned on debt securities classified as financial assets at FVOCI amounted to P13.4 million, P17.4 million and P19.5 million in 2020, 2019 and 2018, respectively, presented as "Interest income" in the consolidated statement of income.

Dividend income earned on equity securities classified as financial assets at FVOCI amounted to P0.8 million, P0.9 million and P0.7 million in 2020, 2019 and 2018, respectively.

The Group disposed of certain financial assets at FVOCI and recognized a gain (loss) from disposal amounting to (P2.1 million), P3.9 million and (P1.3 million) in 2020, 2019 and 2018, respectively.

## 11. Property and Equipment – net

	Condominium	Condominium Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	June, 2021 Total
<b>Cost</b>					
January 1, 2021	20,755,943	8,764,062	7,234,508	3,064,599	39,819,112
Additions	-	-	-	3,527	3,527
Disposals	-	-	-	-	-
June 30, 2021	20,755,943	8,764,062	7,234,508	3,068,126	39,822,639
<b>Accumulated Depreciation</b>					
January 1, 2021	16,812,626	8,528,374	5,569,575	2,869,584	33,780,159
Depreciation and amortization	415,118	35,274	166,384	23,774	640,550
June 30, 2021	17,227,744	8,563,648	5,735,959	2,893,358	34,420,709
<b>Carrying Amounts</b>					
June 30, 2021	P3,528,199	P200,414	P1,498,549	P174,768	P5,401,930

	Condominium	Condominium Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	2020 Total
<b>Cost</b>					
January 1, 2019	P20,755,943	P8,764,062	P10,263,079	P2,865,479	P42,648,563
Additions	-	-	-	9,567	9,567
December 31, 2019	20,755,943	8,764,062	10,263,079	2,875,046	42,658,130
Additions	-	-	-	189,553	189,553
Disposals	-	-	(3,028,571)	-	(3,028,571)
December 31, 2020	20,755,943	8,764,062	7,234,508	3,064,599	39,819,112
<b>Accumulated Depreciation</b>					
January 1, 2019	15,152,152	8,387,280	7,337,618	2,844,432	33,721,482
Depreciation and amortization	830,237	70,547	743,595	9,148	1,653,527
December 31, 2019	15,982,389	8,457,827	8,081,213	2,853,580	35,375,009
Depreciation and amortization	830,237	70,547	411,695	16,004	1,328,483
Disposals	-	-	(2,923,333)	-	(2,923,333)
December 31, 2020	16,812,626	8,528,374	5,569,575	2,869,584	33,780,159
<b>Carrying Amounts</b>					
December 31, 2020	P3,943,317	P235,688	P1,664,933	P195,015	P6,038,953
December 31, 2019	P4,773,554	P306,235	P2,181,866	P21,466	P7,283,121

Cost of fully depreciated property and equipment that are still in use amounted to P15.3 million in 2020 and 2019.

Management believes that there is no indication of impairment loss that has occurred on its property and equipment.

## 12. Investment Properties – net

	Land	Condominium	June,2021 Total
<b>Cost</b>			
January 1, 2021	46,319,625	395,755,001	442,074,626
Additions	-	-	-
June 30, 2021	46,319,625	395,755,001	442,074,626
<b>Accumulated Depreciation</b>			
January 1, 2021	-	59,587,203	59,587,203
Depreciation	-	4,402,089	4,402,089
June 30, 2021	-	63,989,292	63,989,292
<b>Carrying Amounts</b>			
June 30, 2021	P46,319,625	P331,765,709	P378,085,334

	Land	Condominium	2020 Total
<b>Cost</b>			
January 1, 2019	P46,319,625	P395,565,125	P441,884,750
Additions	-	189,876	189,876
December 31, 2019	46,319,625	395,755,001	442,074,626
Additions	-	-	-
December 31, 2020	46,319,625	395,755,001	442,074,626
<b>Accumulated Depreciation</b>			
January 1, 2019	-	41,987,196	41,987,196
Depreciation	-	8,795,821	8,795,821
December 31, 2019	-	50,783,017	50,783,017
Depreciation	-	8,804,186	8,804,186
December 31, 2020	-	59,587,203	59,587,203
<b>Carrying Amounts</b>			
<b>December 31, 2020</b>	<b>P46,319,625</b>	<b>P336,167,797</b>	<b>P382,487,422</b>
December 31, 2019	P46,319,625	P344,971,984	P391,291,609

Condominium units are being leased to third parties and other related parties as office space. The investment properties generated rent income amounting to P23.3 million, P25.1 million and P23.2 million in 2020, 2019 and 2018, respectively (see Note 20). Direct operating expenses arising from investment properties that generated rent income include depreciation and condominium dues which amounted to P11.3 million, P10.8 million and P11.0 million in 2020, 2019 and 2018, respectively.

The assessed fair value of the investment properties amounted to P1,763.1 million and P1,316.6 million as at December 31, 2020 and 2019, respectively. The fair values of the investment properties in 2020 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.



### 13. Accounts Payable and Accrued Expenses

	June, 2021	2020
Current portion of deposits payable	P7,871,991	P3,293,050
Payables to the government	1,744,146	1,671,889
Accounts payable	1,163,981	1,180,848
Accrued professional fees	531,584	651,426
Deferred rental income	-	-
	<b>P11,311,702</b>	<b>P6,797,213</b>

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. Retirement Benefit Obligation

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

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

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

	2020	2019
Balances at beginning of year	<b>P18,344,610</b>	P12,927,729
Retirement benefit expense in profit or loss		
Current service cost	<b>827,606</b>	881,065
Interest costs	<b>881,678</b>	942,345
	<b>1,709,284</b>	1,823,410
Benefit paid		
Remeasurement losses (gains) in OCI		
Experience adjustment	<b>(3,734,360)</b>	3,364,354
Changes in financial assumption	<b>286,901</b>	459,210
	<b>(3,447,459)</b>	3,823,564
Balances at end of year	<b>P16,606,435</b>	P18,344,610

Actuarial gains (losses) on retirement benefit obligation attributable to the equity holders of the Parent Company amounted to P2.3 million and P2.5 million in 2020 and 2019, respectively.

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

	2020	2019
Discount rate	4.00%	7.00%
Salary increase rate	5.00%	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2020 and 2019, assuming if all other assumptions were held constant:

		Effect on defined Benefit Obligation	
		2020	2019
Discount rate	+50 basis points	<b>(P125,928)</b>	(P102,264)
	-50 basis points	<b>137,199</b>	109,452
Future salary increase	+50 basis points	<b>100,939</b>	71,365
	-50 basis points	<b>(91,271)</b>	(65,234)

The average duration of the retirement benefit obligation as at December 31, 2020 and 2019 is 6 years and 5 years, respectively.

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

	2020	2019
More than 1 year to 5 years	<b>P16,766,632</b>	P19,184,268
More than 5 years to 10 years	<b>777,059</b>	380,825
More than 10 years to 15 years	-	351,459
More than 15 years to 20 years	<b>5,925,493</b>	5,333,933
	<b>P23,469,184</b>	P25,250,485

## 15. Income Taxes

The Group's provision for current income tax in 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Regular corporate income tax	<b>P4,379,972</b>	P10,642,931	P3,618,264
Final tax interest income	<b>1,406,778</b>	3,712,380	2,446,789
Deferred tax expense (benefit)	<b>(3,125,469)</b>	(4,261,351)	1,826,571
	<b>P2,661,281</b>	P10,093,960	P7,891,624

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

	2020	2019	2018
At statutory tax rate of 30%:	<b>P13,847,911</b>	P13,123,005	P6,293,250
Additions to (reductions in) income tax resulting from:			
Nondeductible expenses	<b>3,773,162</b>	4,001,918	2,888,469
Interest income already subjected to final tax	<b>(2,128,431)</b>	(5,107,159)	(1,567,615)
Equity in net losses (earnings) of associates	<b>(9,621,314)</b>	(1,603,222)	4,191,661
Nontaxable dividend income	<b>(3,210,047)</b>	(320,582)	(125,071)
Movement in unrecognized net deferred income tax asset	-	-	(3,789,070)
	<b>P2,661,281</b>	P10,093,960	P7,891,624

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

	2020	2019
Allowance for impairment losses on due from related parties	<b>P150,796,579</b>	P150,796,579
Allowance for impairment losses on investment in an associate	<b>94,830,129</b>	94,830,129
Provision for legal obligation	<b>5,000,000</b>	5,000,000
	<b>P250,626,708</b>	P250,626,708

## 16. Equity

### a. Common Stock

In accordance with Revised SRC Rule 68, 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	P0.01	December 8, 1982
Common shares	9,000,000,000	0.01	July, 28, 1997

The details of the Group's capital stock are as follows:

	2020	2019
Common stock - P1 par value		
Class A		
Authorized - 600 million shares		
Issued - 292,610,118 shares	P292,610,118	P292,610,118
Class B		
Authorized - 400 million shares		
Issued - 189,217,535 shares	189,217,535	189,217,535
	<b>P481,827,653</b>	<b>P481,827,653</b>

## 17. Related Party Transactions

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

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:

	Years	Transactions during the year	Outstanding Balances	Terms	Conditions
<i>Associates:</i>					
<b>BPO</b>					
Rent Income	June 2021	P706,206	P18,338	On demand; noninterest	Unsecured;
	2020	1,406,805	150,163	-bearing	Unimpaired
Payroll service expense	June 2021	31,275	-	On demand; noninterest	Unsecured;
	2020	112,847	-	-bearing	Unimpaired
Dividends	June 2021	3,499,974	3,585,109	On demand; noninterest	Unsecured;
	2020	3,499,974	10,499,923	-bearing	Unimpaired
<b>PTC</b>					
Dividends	June 2021	10,903,386	-	On demand; noninterest	Unsecured;
	2020	10,903,386	10,903,386	-bearing	Unimpaired
<b>MUDC</b>					
Advances	June 2021	17,768	109,395	On demand; noninterest	Unsecured;
	2020	36,582	91,627	-bearing	Unimpaired

<i>Under Common Control</i>					
Other related parties					
Advances	June 2021	1,416	335,558	On demand; noninterest-bearing	Unsecured; Unimpaired
	2020	13,556	419,300		
	June 2021		4,048,400		
	2020		22,064,399		

The related party transactions are settled in cash.

Movements of due from related parties, net of expected credit losses, are as follows:

	2020	2019
Receivables from related party	P189,321,032	P189,185,737
Dividends receivables	21,403,309	16,885,116
	210,724,341	206,070,853
Allowance for expected credit losses	(188,659,942)	(188,659,942)
	P22,064,399	P17,410,911

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

Compensation of the key management personnel are as follows:

	2020	2019
Salaries and wages	P8,493,141	P8,493,141
Other benefits	1,415,524	1,415,524
	P9,908,665	P9,908,665

## 18. Earnings Per Share

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

	2020	2019	2018
Net income attributable to equity holders of the parent	P43,024,955	P32,205,281	P12,088,289
Weighted average number of ordinary shares outstanding for basic and diluted EPS	383,721,537	383,959,910	384,033,808
Basic and diluted earnings per share	P0.11	P0.08	P0.03

The Group has no potential dilutive instruments issued as of December 31, 2020, 2019 and 2018. Hence, diluted EPS is the same as basic EPS.

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## 19. Segment Information

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

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## 20. Commitments and Contingencies

a. The Group leases a portion of its condominium spaces. The Group recognized rental income amounting to P23.3 million, P25.1 million and P20.8 million in 2020, 2019 and 2018, respectively (see Note 12). 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 P6.0 million and P9.8 million as at December 31, 2020 and 2019, respectively, will be returned to the lessees after the lease term. The future minimum rental income as at December 31, 2020 and 2019 are as follows:

	2020	2019
Within one year	<b>P7,089,129</b>	P19,479,095
After one year but not more than 5 years	<b>2,186,250</b>	23,074,971
	<b>P9,275,379</b>	P42,554,066

b. As at December 31, 2020 and 2019, the Group recognized provision for legal obligation amounting to P5.0 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 Group 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 consolidated financial position and results of operations.

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## 21. Fair Value of Financial Instruments

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

Fair values of financial assets at FVTPL and quoted financial assets at FVOCI are based on price quotations as at December 31, 2020 and 2019.

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## 22. Capital Management

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

The Group manages its capital structure, which pertains to its equity, and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group is not subject to any externally imposed capital requirements.

The total core capital considered by the Group as of December 31, 2020 and 2019 are as follows:

	2020	2019
Common stock	P481,827,653	P481,827,653
Additional paid-in capital	144,759,977	144,759,977
Retained earnings	1,190,632,669	1,185,978,066
Treasury shares	(102,094,826)	(101,969,326)
	<b>P1,715,193,239</b>	<b>P1,710,596,370</b>

### 23. Changes in Liabilities Arising from Financing Activities

The following shows the changes in the Group's liabilities arising from its financing activities in 2020 and 2019:

	<i>Note</i>	As at January 1, 2021	Cash Flows	Dividend Declaration	As at June 30, 2021
Dividends payable	18	P6,235,209	(P37,778,268)	P38,370,352	P6,827,293

	<i>Note</i>	As at January 1, 2020	Cash Flows	Dividend Declaration	As at December 31, 2020
Dividends payable	18	P6,235,209	(P37,778,268)	P38,370,352	P6,827,293

### 24. Events After the Reporting Date

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Group:

- a) Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.

- b) MCIT rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.
- c) The imposition of improperly accumulated earnings tax has been repealed.
- d) Definition of reorganization for purposes of applying the tax-free exchange provision under Section 40(C)(2) is expanded. Prior Bureau of Internal Revenue (BIR) ruling or confirmation shall not be required for purposes of availing the tax exemption of the exchange.

On April 8, 2021, the BIR issued the following implementing revenue regulations that are effective immediately upon publication:

- BIR RR No. 2-2021, Amending Certain Provisions of Revenue Regulations No. 2-98, As Amended, to Implement the Amendments Introduced by RA No. 11534, or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), to the National Internal Revenue Code (NIRC) of 1997, as Amended, Relative to the Final Tax on Certain Passive Income.
- BIR RR No. 3-2021, Rules and Regulations Implementing Section 3 of RA No. 11534 or the CREATE Act, Amending Section 20 of the NIRC of 1997, As Amended.
- BIR RR No. 4-2021, Implementing the Provisions on VAT and Percentage Tax Under RA No. 11534 or the CREATE Act Which Further Amended the NIRC of 1997, as Amended, as Implemented by RR No. 16-2005 (Consolidated VAT Regulations of 2005), As Amended
- BIR RR No. 5-2021, Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant RA No. 11534 or the CREATE Act, Which Further Amended the NIRC of 1997.

The enactment of the CREATE Act is a non-adjusting subsequent event thus, the current and deferred income taxes as at December 31, 2020 are measured using the applicable income tax rates as at December 31, 2020.

Following the issuance of RR No. 5-2021, the corporate income tax of the Parent Company and subsidiaries will be lowered from 30% to 25% or 20%, depending on their taxable income, effective July 1, 2020.



**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY**  
**AGING OF ACCOUNTS RECEIVABLE**  
**AS OF JUNE 30, 2021**

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.	52,370	1,008			300	0	53,078	53,378
Magellan Capital Corporation	329,636	708				0	330,344	330,344
Magellan Capital Trading Corporation	53,420	708				0	54,128	54,128
Magellan Utilities Development Corp.	0							0
Business Process Outsourcing International	10,499,923	790,950	4,422,749				6,868,124	6,868,124
Pinamucan Power Corporation	33,834	708				0	34,542	34,542
Pointwest Technologies Corporation	10,903,386	458,490	10,903,386		458,490		0	458,490
Others	0							0
	21,872,569	1,252,572	15,326,135		458,790	0	7,340,216	7,799,006