

## **Mabuhay Holdings Corporation and Subsidiaries**

Notes to Consolidated Financial Statements

As at December 31, 2018 and 2017 and

for each of the three years in the period ended December 31, 2018

(In the Notes, all amounts are shown in Philippine Peso unless otherwise stated)

### **Note 1 - General information**

#### *(a) Corporate information*

Mabuhay Holdings Corporation (the “Parent Company”) was incorporated in the Philippines on April 6, 1988 primarily to engage in the acquisition and disposal of investments in marketable securities, shares of stock and real estate properties. The Company is 29.85 % owned by Asia Development Capital Co. Ltd., a company incorporated and registered in Tokyo, Japan on February 7, 1922 to engage in the sale, development, brokerage, and leasing of real estate properties. The remaining 70.15% is owned by various individuals and corporations. The Company’s common shares were listed in the Philippines Stock Exchange (PSE) in 1990. Other than its share listing in 1990, there were no other share offerings subsequent thereto.

The Parent Company is considered a public company under Rule 3.1 of the Implementing Rules and Regulations of the Securities Regulation Code when it listed its shares in the PSE in 1990.

The Parent Company’s registered office and principal place of business is at 35th Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City.

The Parent Company has 7 employees as at December 31, 2018 (2017 - 8).

The consolidated financial statements have been approved and authorized for issue by the Board of Directors on April 12, 2019.

#### *(b) Status of operations*

The Group has incurred a consolidated net loss of P460,376,246 for the year ended December 31, 2018 which resulted in a deficit amounting to P372,020,560.

For the past years, the Group’s main focus was to support the projects of its then main associate, Philippine Infradev Holdings, Inc. (formerly IRC Properties Incorporated) (IRC), by assisting it to secure funding for its residential development projects in its Binangonan Property. These projects of IRC are expected to generate significant amount of sustainable income stream and operating cash flows to the Group.

In 2018, the Group sold a significant part of its shareholding in IRC. The one-time effect on the sale of its shares in IRC, which resulted in a loss on disposal of P412.82 million, contributed mainly to the consolidated net loss and deficit position of the Group.

The Group plans to use the proceeds from the sale of IRC shares to acquire properties for rental purposes and concentrate on this as its main short-term operating activity. Management believes that this move is strategic and will be beneficial for the Group in the long run. The Group intends to become more liquid and flexible while pursuing bigger urban real property development projects.

The following comprise the Group's short-term and long-term plans:

1. To acquire developed properties with the intention of converting such properties for lease operations;
2. To acquire properties for development and to lease these properties;
3. To continue to retain its investment in stocks of IRC for capital appreciation and eventual cash flows from future dividend declarations; and
4. To continue to retain its investment properties for appreciation, and to plan for the possible development of the prime properties.

The planned acquisitions of rental yielding properties are expected to generate sustained cash inflows to support the Group's operations. Moreover, the remaining investment in IRC is expected to generate substantial dividend yield in the future upon completion of IRC's real estate projects in Binangonan, and the construction and operation of the Makati Subway System under the Public-Private Partnership Program of the Makati City Government.

The above plans will contribute to improve the results of operation of the Group in the following years. Accordingly, the Group's consolidated financial statements have been prepared on a going concern basis.

## **Note 2 - Cash**

Cash as at December 31 consist of:

	2018	2017
Cash on hand	15,000	15,000
Cash in bank	193,297,456	5,605,579
	193,312,456	5,620,579

Cash in bank earns interest at the prevailing bank deposit rates 0.13% per annum in 2018 and 2017. Interest income from cash in bank for the year ended December 31, 2018 amounted to P239,471 (2017 - P26,693; 2016 - P109,464).

## **Note 3 - Financial assets at fair value through profit or loss**

Movements in financial assets at fair value through profit or loss (FVPL) for the years ended December 31 are as follows:

	2018	2017
Balance as at January 1	1,982,245	2,268,490
Reclassification	474,325,358	-
Additions	7,129,443	2,010
Disposals	(2,143,482)	(76,500)
Loss on revaluation of securities	(88,356,620)	(211,755)
Balance as at December 31	392,936,944	1,982,245

The account as at December 31, 2018 and 2017 consists of listed equity shares with fair value based on current bid prices in an active market (Level 1 valuation). Changes in fair value are recorded in unrealized gain (loss) on revaluation of securities in profit or loss.

In 2018, the Group reclassified its investments in IRC shares previously held as an investment in an associate to financial asset at FVPL with a carrying amount of P472,694,834 (Note 5) and its available for sale securities with fair value of P1,630,524.

In 2018, the Parent Company subscribed to additional stock rights with a total cost of P7,129,443 (2017 - P2,010).

In 2018, the Parent Company sold listed equity shares with fair value of P2,143,482 (2017 - P76,000) resulting in a gain of P260,977 (2017 - P13,500). The proceeds for both years were collected in 2018.

The Group's investment in shares of stock in IRC is used as collateral for the Group's borrowings with a related party (Note 9).

#### **Note 4 - Notes and other receivables, net**

Notes and other receivables, net as at December 31 consist of:

	Note	2018	2017
Notes receivable, including interest	15	104,149,336	189,351,013
Advances and other receivables		4,536,335	1,697,123
Rent receivable	15	2,934,745	3,815,168
Due from related parties	15	180,290	1,158,576
		111,800,706	196,021,880

Notes receivable represent loans granted to IRC without definite payment terms and bear annual interest rates ranging from 12% to 18%. The account also includes accrued interest receivable of P10.12 million (2017 - P50.36 million). Total interest income currently recognized from these loans amounted to P19.80 million (2017 - P24.44 million; 2016 - P27.61 million). These loans are due and demandable.

In 2018, IRC paid off portion of the notes receivable amounting to P105.00 million of which P60.03 million pertains to payment of interest. There were no collections in 2017.

In 2017, IRC issued an additional promissory note amounting to P3 million with a 15% interest rate per annum.

Movements in principal amount of notes receivable for the years ended December 31 are as follows:

	2018	2017
Balance as at January 1	138,993,378	135,993,378
Additional principal	-	3,000,000
Receipt of principal amount	(44,966,505)	-
Balance as at December 31	94,026,873	138,993,378

Movements in accrued interest receivable for the years ended December 31 are as follows:

	2018	2017
Balance as at January 1	50,357,635	25,914,260
Interest income	19,798,321	24,443,375
Interest received	(60,033,495)	-
Balance as at December 31	10,122,461	50,357,635

Due to the collection in 2016, the allowance for impairment loss on the loans amounting to P5.44 million was reversed since management assessed that recovery of the full balance is probable resulting from the current development in IRC's operations.

#### **Note 5 - Investment in an associate**

Details of the account as at December 31 which pertains to the investment in shares of stock of IRC are as follows:

	2018	2017
Acquisition cost		
Cost at January 1	635,157,306	622,999,252
Share acquisitions		12,158,054
Disposal	(386,921,034)	-
Reclassification	(248,236,272)	-
Balance at December 31	-	635,157,306
Accumulated share in net income		
Balance at January 1	667,400,794	660,496,647
Share in net earnings	7,517,176	6,811,616
Share in other comprehensive income	-	92,531
Disposal	(381,451,590)	-
Reclassification	(293,466,380)	-
Balance at December 31	-	667,400,794
Allowance for impairment loss		
Balance at January 1	(158,705,119)	(158,705,119)
Disposal	89,697,301	-
Reclassification	69,007,818	-
Balance at December 31	-	(158,705,119)
Total	-	1,143,852,981

In 2017, the Group purchased additional 9,264,000 (2016 - 9,799,000) IRC shares amounting to P12.16 million (2016 - P15.41 million) which increased the Group's effective ownership interest in IRC shares to 29.62% (2016 - decreased to 28.44%).

In 2018, the Group sold 222,200,000 IRC shares for P284.83 million, resulting in a net loss on disposal amounting to P412.82 million (net of applicable charges). The sale of IRC shares resulted in a decrease in the Group's interests in IRC to 11.40%. The decrease in ownership resulted in the reclassification of the investment in an associate to financial assets at FVPL (Note 3). There were no disposals in 2017 and 2016.

In 2016, the Group recognized a recovery of impairment losses amounting to P37.86 million on its investment in IRC due to the current developments in IRC's operations.



The fair value of the Group's investment in shares of stocks in IRC as at December 31, 2017 is P278.38 million (P0.72/share) (2016 - 760.40 million; P1.22/share).

The Group's investment in shares of stock in IRC is used as collateral for the Group's borrowings with a related party (Note 9).

There are no significant restrictions on the ability of the associate to transfer cash assets, pay dividend or pay advances to the Parent Company and its subsidiaries. Since most of the subsidiaries are not operational, the Parent Company provides financial support to the Group.

The summarized financial information of IRC as at and for the year ended December 31, 2017 are as follows:

	2017	
Total current assets	1,163	
Total non-current assets	2,566	
Total assets	3,729	
Total current liabilities	(567)	
Total non-current liabilities	(1,301)	
Total liabilities	(1,868)	
Net assets	1,861	
	2017	2016
Income	196	225
Expenses	(166)	(121)
Income before tax	30	104
Provision for income tax	(7)	(30)
Net income	23	74
Other comprehensive income	-	-
Total comprehensive income	23	74
Cash flows provided by (used in):		
Operating activities	8	(31)
Investing activities	1	(2)
Financing activities	(30)	47
Net cash inflow (outflow)	(21)	14

In 2017, the Group has 29.62% or P551.52 million effective ownership in IRC (2016 - 28.44%; P522.73 million). The difference from P1.14 million (2016 - P1.13 million) arises from the fair value adjustment of non-depreciable non-current asset.

## **Note 6 - Property and equipment, net**

Details and movements of property and equipment as at and for the year ended December 31 are as follows:

	Furniture and fixtures	Office equipment	Communication and other equipment	Office condominium	Transportation equipment	Building improvements	Total
<b>Cost</b>							
Balances as at January 1, 2017	1,662,116	799,274	170,444	13,746,305	5,277,679	3,859,242	25,515,060
Additions	-	14,881	14,738	-	62,232	-	91,851
Disposals	-	(53,563)	-	-	-	-	(53,563)
Balances as at December 31, 2017	1,662,116	760,592	185,182	13,746,305	5,339,911	3,859,242	25,553,348
Additions	-	-	-	-	2,190,179	-	2,190,179
Balances as at December 31, 2018	1,662,116	760,592	185,182	13,746,305	7,530,090	3,859,242	27,743,527
<b>Accumulated depreciation</b>							
Balances as at January 1, 2017	1,662,116	644,885	170,444	12,516,463	4,898,215	2,941,882	22,834,005
Depreciation	-	41,383	983	593,727	389,837	379,598	1,405,528
Disposals	-	(15,193)	-	-	-	-	(15,193)
Balances as at December 31, 2017	1,662,116	671,075	171,427	13,110,190	5,288,052	3,321,480	24,224,340
Depreciation	-	28,220	2,949	508,908	267,967	379,597	1,187,641
Balances as at December 31, 2018	1,662,116	699,295	174,376	13,619,098	5,556,019	3,701,077	25,411,981
<b>Net book values</b>							
December 31, 2017	-	89,517	13,755	636,115	51,859	537,762	1,329,008
December 31, 2018	-	61,297	10,806	127,207	1,974,071	158,165	2,331,546

The amount of fully depreciated assets still in use amounted to P7.72 million (2017 - P7.71 million). Depreciation expense of P1.19 million (2017 - P1.41 million; 2016 - P1.69 million) is charged to expenses.

There were no gains or loss for disposals made in 2017. Proceeds were offset against payable to an employee. There were no disposals in 2018.

As at December 31, 2018 and 2017, management assessed that there were no indicators present that would otherwise require an assessment and subsequent recognition of impairment for its property and equipment.

There are no property and equipment pledged as collateral for borrowings as at December 31, 2018 and 2017 (Note 9).

**Note 7 - Investment properties**

The Group's investment properties include several parcels of land and a commercial unit held for lease. Land includes properties of The Taal Company, Inc. (TTCI) and Tagaytay Properties and Holdings Corporation (TPHC), subsidiaries, held for appreciation purposes, including those in Batangas and Tagaytay City with a total land area of 29 hectares. The condominium unit, which is located in Makati with a total floor area of 676 square meters, is being leased out to third parties by the Parent Company (Note 16). In 2018, income from this property amounting to P7.49 million (2017 - P7.31 million; 2016 - P7.15 million) was presented as rental income in profit or loss. Direct expenses incurred for this investment property amounted to P1.13 million (2017 - P1.27 million; 2016 - P1.40 million) which were recorded in communication, light and water, repairs and maintenance, association dues, taxes and licenses, and insurance under other expenses (Note 12).

The following amounts have been recognized in profit or loss:

	Note	2018	2017	2016
Rental income	16	7,493,144	7,308,941	7,154,721
Operating expenses arising from investment properties that generate rental income		(1,130,447)	(1,265,063)	(1,404,600)
		6,362,697	6,043,878	5,750,121

The changes in the carrying amounts presented in the consolidated statements of financial position as at December 31 are summarized as follows:

	2018	2017	2016
Balance as at January 1	335,607,545	320,453,000	302,858,000
Fair value gains	64,662,455	15,154,545	17,595,000
Balance as at December 31	400,270,000	335,607,545	320,453,000

The fair value of investment properties is determined on the basis of appraisal made by an external appraiser duly certified by the management (Level 3 valuation). Valuation methods employed by the appraisers mainly include the market data approach (Note 23.1). As at December 31, 2018, the cumulative fair value gain amounted to P390.3 million (2017 - P325.6 million).

**Note 8 - Accounts payable and other current liabilities**

Accounts payable and other current liabilities as at December 31 consist of:

	Note	2018	2017
Accounts payable and accrued expenses		15,970,652	4,768,371
Accrued interest on borrowings	9	3,179,506	37,428,760
Withholding taxes		101,583	5,495
Subscription payable		2,500	2,500
Others		-	85,186
		19,254,241	42,290,312

Accounts payable and accrued expenses represent third party payables and accruals on employee benefits, legal and other professional fees all payable on demand.

**Note 9 - Borrowings**

Borrowings as at December 31 consist of:

	Note	2018	2017
Third party		-	15,732,799
Related party	15	13,624,642	119,321,692
		13,624,642	135,054,491

The net debt reconciliation as at December 31 is presented below:

	Note	2018	2017
Borrowings as at January 1		135,054,491	135,627,442
Changes arising from:			
Cash flows		(121,429,849)	-
Non-cash flows		-	(572,951)
Borrowings as at December 31		13,624,642	135,054,491
Cash as at December 31	2	(193,312,456)	(5,620,579)
Net debt as at December 31		(179,687,814)	129,433,912

In 2013, the Parent Company entered into various loan agreements with a related party, Asia Development Capital Limited (ADCL), a company incorporated in Tokyo, Japan and with a third party creditor, incorporated in Hong Kong. The borrowings bear interest rates of 11% per annum for the years ended December 31, 2018 and 2017 and are payable on demand. These borrowings are secured by the Group's investment in shares of stock of IRC (Notes 3 and 5).

In 2018, the Parent Company paid in full the principal and interest of the loan to a related party and a third party creditor amounting to P179.81 million of which P121.43 million pertains to payment of principal. Total accrued interest paid amounted to P34.60 million while the remaining P23.78 million was condoned by the third-party creditor. The Parent Company shouldered the payment of the donor's tax amounting to P1.86 million as part of the condonation agreement. The net gain amounting to P21.92 million is recognized in profit or loss under other income.

Interest expense incurred from these borrowings amounts to P20.97 million for the year ended December 31, 2018 (2017 - P9.95 million; 2016 - P28.64 million). There was no qualifying asset in 2018 and 2017.

Borrowings from a third party are denominated in Hongkong Dollar and US Dollar. Borrowings from a related party are Peso-denominated.

**Note 10 - Deposits for future share subscriptions**

In 1997, the Parent Company received from certain shareholders deposits for future share subscriptions totaling P241.62 million. Movement of P46.93 million in 2008 pertains to the cancellation of subscription with the amount previously received as deposits against the Parent Company's advances to relevant shareholders. There were no movements in the account during 2018 and 2017.

It is the intention of the shareholders that these balances represent equity deposits for future share subscriptions. The presentation of the deposits under liabilities is in compliance with Financial Reporting Bulletin No. 6 issued by Securities and Exchange Commission (SEC). The management considers issuing equivalent equity ownership upon development of concrete plans on improving the operations and the financial stability of the Group (Note 1).

#### **Note 11 - Equity**

Share capital as at December 31, 2018 and 2017 consist of:

	Amount
Common shares - P1 par value	
Authorized (4,000,000,000 shares)	4,000,000,000
Subscribed (1,200,000,000 shares)	1,200,000,000
Subscribed	1,200,000,000
Subscriptions receivable	(224,465,947)
Paid, issued and outstanding	975,534,053
Treasury shares (58,627,864 shares)	(58,627,864)

Treasury shares represent investment of Mindanao Appreciation Corporation (MAC) in the Parent Company's shares.

No collection occurred during 2018 and 2017 with regard to the outstanding subscription receivable.

As at December 31, 2018, there are 191 (2017 - 192) shareholders each owning more than one hundred (100) shares of the Parent Company.

#### **Note 12 - Other expenses**

Details of other expenses for the years ended December 31 are as follows:

	2018	2017	2016
Taxes and licenses	6,045,137	955,628	936,666
Transportation and travel	1,796,804	1,171,378	1,199,621
Office supplies	712,433	734,853	510,092
Communication, light and water	570,792	537,343	541,777
Allowance for impairment losses	464,215	-	-
Association dues	395,343	387,901	377,695
Security services	373,308	373,308	1,462,121
Repairs and maintenance	202,019	624,467	266,536
Insurance	212,796	196,347	174,642
Postage	6,558	3,074	42,004
Write-off of prepaid tax	-	-	528,474
Write-off of other non-current assets	-	88,300	-
Miscellaneous	363,289	216,390	171,323
	11,142,694	5,288,989	6,210,951

In 2018, the Parent Company paid taxes in relation to the settlement of its borrowings (Note 9) and documentary stamp taxes on the sale of IRC investments (Note 5) totaling P4.57 million.

**Note 13 - Income taxes**

Details of provision for income tax for the years ended December 31 are as follows:

	2018	2017	2016
Current	376,554	2,449,868	425,474
Deferred	30,027,973	2,401,536	4,354,583
	30,404,527	4,851,404	4,780,057

The net deferred income tax liabilities (assets) as at December 31 consist of:

	2018	2017
Recoverable within 12 months		
Unrealized gain on revaluation of securities	2,357,622	-
Unrealized foreign exchange loss, net	50,110	(8,354,686)
Deferred rental income	(813,904)	(482,726)
	1,593,828	(8,837,412)
Recoverable beyond 12 months		
Fair value gain on investment property	118,250,117	98,047,141
Fair value change in investment	87,669	-
Provision for retirement benefits	(564,539)	-
	117,773,247	98,047,141
Minimum corporate income tax (MCIT)	(521,243)	-
	118,845,832	89,209,729

All movements in deferred income tax are charged to profit or loss except for those pertaining to other comprehensive income. Deferred income tax expense on other comprehensive income losses was not recorded due to insignificant amount.

Deferred income tax assets are recognized to the extent that the realization of the related tax benefit through the future taxable profits is probable.

The Group incurred net operating loss carry-over (NOLCO) for the year ended December 31, 2018 amounting to P48.99 million (2017 - P1.45 million; 2016 - P14.44 million). However, the related deferred income tax asset of P14.70 million (2017 - P434 thousand; 2016 - P4.33 million) was not recognized since the probability that those benefits would be utilized through future taxable profits is uncertain.

The details of NOLCO as at December 31, which could be carried over as deductible expense from taxable income for three (3) consecutive years following the year of incurrence are as follows:

Year of incurrence	Year of expiration	2018	2017
2018	2021	48,996,322	-
2017	2020	1,446,774	1,446,774
2016	2019	14,435,333	14,435,333
2015	2018	-	27,799,410
Total NOLCO		64,878,429	43,681,517
Deferred income tax assets not recognized at 30%		19,463,529	13,104,455

In compliance with the Tax Reform Act of 1997, the Group is required to pay the (MCIT) or the normal income tax, whichever is higher. The details of the MCIT that can be carried forward on an annual basis and credited against normal income tax payable within three (3) immediately succeeding years from the period when the MCIT was paid are presented below:

Year of incurrence	Year of expiration	2018	2017
2018	2021	529,818	-
2017	2020	-	2,402,445
2016	2019	-	636,033
2015	2018	-	933,094
		529,818	3,971,572
Unrecognized deferred income tax asset on MCIT		(8,575)	(1,579,773)
Applied		-	(2,391,799)
Recognized deferred income tax asset		521,243	-

In 2016, the MCIT was charged to provision for income tax in the expectation that the Group will not be able to generate taxable income against which this can be applied.

In 2017, the Group applied MCIT amounting to P2,391,799 resulting in a prepaid tax of P1,678,788 recorded under prepayments and other current assets.

In 2018, the Group recognized additional MCIT amounting to P521,423 as part of deferred income tax. The payable amount is offset against prepaid tax under prepayments and other current assets.

The reconciliation of tax on pre-tax income computed at the statutory income tax rates to provision for income tax are as follows:

	2018	2017	2016
Income before income tax	(429,971,720)	28,401,365	63,126,835
Tax on pretax income at 30%	(128,991,516)	8,520,410	18,938,051
Non-deductible expenses	199,947,977	609,935	654,530
Unrecognized deferred income tax assets on NOLCO and MCIT	14,698,897	434,031	4,966,633
Unrecognized MCIT in a Subsidiary	8,575	-	-
Applied MCIT	-	(2,391,799)	-
Recovery of impairment loss	-	-	(11,357,153)
Non-taxable income	(1,983,552)	(3,789)	(1,852,999)
Share in net earnings of an associate	(2,255,153)	(2,043,485)	(6,301,814)
Adjustment for income subjected to lower tax rates	(51,020,701)	(265,941)	(267,191)
Others	-	(7,958)	-
	30,404,527	4,851,404	4,780,057

**Note 14 - Basic and diluted earnings (loss) per share**

The information used in the computation of basic and diluted earnings (loss) per share for the years ended December 31 are as follows:

	2018	2017	2016
Net income (loss) attributable to the shareholders of Parent Company	(475,424,767)	19,481,795	46,901,151
Divided by the average number of outstanding common shares	975,534,053	975,534,053	975,534,053
Earnings (loss) per share - basic and diluted	(0.4873)	0.0200	0.0481

Basic and diluted earnings (loss) per share are the same due to the absence of dilutive potential common shares.

**Note 15 - Related party transactions and balances**

The table below summarizes the Group's transactions and balances with its related parties as at and for the year ended December 31, 2018.

		2018		
	Notes	Transactions	Outstanding balances	Terms and conditions
Due from				
Entities under common control				
Intrinsic Value Management (IVM)				
Philippine Strategic International Holdings, Inc.(PSIHI)				
South China Holdings Corporation (SCHC)	4	-	180,290	Unsecured, non-interest bearing, with no guarantee and collectible in cash on demand.
Borrowings from				
Entity under common control (IVM)	9	-	(13,624,642)	Unsecured, non-interest bearing, with no guarantee and payable in cash on demand.
Advances from				
Entities under common control IVM, PSIHI		8,437,493	9,002,267	
Salaries and employee benefits				
Key management personnel		2,820,000	-	These are determined based on contract of employment and payable in cash in accordance with the Group's payroll period. These were fully paid at reporting date.

In 2018, the Group sold some of its investments in IRC (Note 5). Consequently, the Group ceased its significant influence over IRC following the divestment.



The table below summarizes the Group's transactions and balances with its related parties as at and for the year ended December 31, 2017.

	Notes	2017		
		Transactions	Outstanding balances	Terms and conditions
Associate (IRC)				Unsecured, interest bearing receivables ranging from 12% to 18%, with no guarantee and collectible in cash on demand.
Notes receivable		3,000,000	138,993,378	
Accrued interest				
Interest income		24,443,375	50,357,635	
	4		189,351,013	
Rent receivable	4,16	1,467,372	3,815,168	Please refer to Note 16 for additional information on leases.
Due from				
Entities under common control				Unsecured, non-interest bearing, with no guarantee and collectible in cash on demand.
IVM, PSIHI, SCHC		23,279	686,622	
Associate (IRC)		471,954	471,954	
	4		1,158,576	
Borrowings from				
Entity under common control (IVM)	9	-	(13,624,642)	Unsecured, non-interest bearing, with no guarantee and payable in cash on demand.
Advances from				
Entities under common control				
IVM, PSIHI		(2,524,644)	(17,439,760)	
Salaries and employee benefits				These are determined based on contract of employment and payable in cash in accordance with the Group's payroll period. These were fully paid at reporting date.
Key management personnel		2,261,250	-	

Intercompany loans eliminated in 2018 amount to P596.03 million (2017 - P741.58 million). Based on management's assessment, the carrying values of receivables from related parties are deemed collectible.

There were no write-offs made relative to balances with related parties in 2018 and 2017.

#### **Note 16 - Leases**

In 2009, the Parent Company occupied a portion of its investment property and converted it into an office space. The portion which is owner-occupied is properly classified as property and equipment (Note 6). The remaining portion is leased to third parties.

In 2018, rental income from investment in a commercial unit amounted to P7.49 million (2017 - P7.31 million) (Note 7).

The Parent Company renewed its lease agreement with IRC for the use of Unit 35-B at the 35th Floor Rufino Pacific Tower, 6784 Ayala Avenue, Makati City with an aggregate area of 234 meters including two (2) parking rights. The lease shall be for a period of one (1) year commencing on April 1, 2017 and expiring on March 30, 2018. The agreement provides for a monthly rate of P1,323 per square meter plus 12% VAT less 5% WHT or a total of P330,545 per month. The rental shall be paid on a quarterly basis. These are unsecured, with no guarantee and non-interest bearing. The agreement is in the process of being renewed as at reporting date.

The Parent Company also renewed its lease agreement with a third party in relation to the use of Units 35-C and D at the 35<sup>th</sup> Floor of Rufino Pacific Tower. The lease shall be for a period of three (3) years commencing on May 1, 2014 and expiring on April 30, 2017 and subsequently renewed until April 30, 2020. The agreement provides for the payment of a monthly rental amounting to P306,571 exclusive of VAT, subject to 5% escalation rate annually. The rental shall be paid on a quarterly basis on or before the first working day of the quarter to which such rent corresponds. These are unsecured, with no guarantee and non-interest bearing.

The lease agreement pertaining to the use of six (6) car parking rights at the Rufino Pacific Tower was also renewed with a third party. The lease shall be for a period of one (1) year commencing on January 12, 2017 and renewable annually. The agreement provides for a rate of P19,465 per month inclusive of 12% VAT and net of 5% withholding tax. The rental shall be paid on a monthly basis. These are unsecured, with no guarantee and non-interest bearing. The agreement is in the process of being renewed as at reporting date.

As at December 31, the minimum aggregate rental receivables for future years are as follows:

	2018	2017	2016
Within one (1) year	6,268,602	7,259,814	7,189,371
After one (1) year but not more than five (5) years	16,091,712	19,822,122	38,575,632
	22,360,314	27,081,936	45,765,003

#### **Note 17 - Salaries and employee benefits**

Details of salaries and employee benefits for the years ended December 31 are as follows:

	2018	2017	2016
Salaries and wages	3,536,878	2,929,759	4,396,887
Employee benefits	1,677,633	2,413,743	1,121,890
Bonus and allowances	377,008	245,575	242,067
SSS, Philhealth and HDMF	116,451	108,845	143,206
	5,707,970	5,697,922	5,904,050

#### **Note 18 - Provision for retirement benefits**

The Group has yet to adopt a formal retirement plan and only provided for the retirement obligation based on minimum required retirement benefit under Republic Act (RA) 7641. Under RA 7641, otherwise known as the Retirement Pay Law, an employee upon reaching the age of 60 years or more, but not beyond 65 years, who has served at least five (5) years in a private company, may retire and shall be entitled to retirement pay equivalent to at least ½ month salary for every year of service, a fraction of at least six (6) months being considered as one (1) whole year.

The retirement benefit obligation and retirement benefit expense as at and for the years ended December 31 are as follows:

	2018	2017
Retirement benefit obligation	1,881,793	2,043,750
Retirement benefit expense	(161,957)	1,372,281

The movement in the retirement benefit obligation for the years ended December 31 is as follows:

	2018	2017
January 1	2,043,750	671,469
Current service cost	(161,957)	1,372,281
December 31	1,881,793	2,043,750

The retirement benefit expense is included under salaries and employee benefits (Note 17) in profit or loss.

The principal assumptions made as at December 31, 2018 and 2017 are as follows:

Discount rate	7.64%
Expected future salary increase	3.00%

Discount rate assumption is based on the theoretical spot yield curve calculated from Bloomberg market yields by stripping the coupons from government bonds to create virtual zero coupon bonds as of the valuation date, while considering the average years of remaining working life of the employees as the estimated term of the employee.

#### **Note 19 - Provision for litigation claims**

In the normal course of business, the Parent Company is a defendant on a case which is pending with the Court of Appeals. The case arose from a demand for payment of minimum guaranteed return on investment by a former co-shareholder of the Parent Company in a fast craft shipping business. Details of this pending case follow:

The plaintiff (one of the co-shareholders) violated a number of the terms as stipulated under the agreement, including a direct purchase of the shares of the other shareholder without the consent of the Parent Company. The agreement also contains a provision about guaranteed return.

In 1999, the plaintiff demanded full payment of the guaranteed return on its investment after audits of the fast craft business revealed a significant amount of loss, which demand was denied by the Parent Company.

After divergent decisions by the arbitrator and regional trial court, the case was transferred to the Court of Appeals for further proceedings. In 2013, the Parent Company recorded additional provision amounting to P21.61 million to reflect the final decision rendered by the Court of Appeals instructing the Parent Company to pay the agreed guaranteed returns and arbitration costs including 12% interest calculated from the date of initial ruling totaling to P47.77 million as shown in the consolidated statement of financial position.

As at December 31, 2018 and 2017, management is still assessing other legal remedies available to settle the case.

## **Note 20 - Contingency**

In the normal course of business, the Parent Company has a contingency arising from claim which is presently being contested. Based on management's assessment, the disposition of this contingency will have no significant impact on its financial statements. The details of this claim have not been disclosed as this might be prejudicial to the position of the Parent Company.

## **Note 21 - Segment information**

The Group has only one segment as it derives its revenues primarily from rental and capital appreciation of investment properties.

Significant information on the reportable segment is as follows:

	2018	2017
Operating assets	1,103,330,649	1,687,169,383
Operating liabilities	405,150,416	528,612,904
Revenue and income	114,594,701	47,851,192
Other income	7,517,176	6,811,616
Costs and expenses	(582,488,123)	26,261,443
Segment net income	(460,376,246)	23,549,961

All revenues are from domestic entities incorporated in the Philippines, hence, the Group did not present geographical information required by PFRS 8, *Operating Segments*.

There are no revenues derived from a single external customer above 10% of total revenue in 2018 and 2017.

There is no need to present reconciliation since measure of segment assets, liabilities and results of operations are consistent with those of the financial statements.

There are no changes in the Group's reportable segment and related strategies and policies in 2018 and 2017.

## **Note 22 - Financial risk and capital management**

### **22.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Management, under the direction of the Board of Directors of the Group, is responsible for the management of financial risks. Its objective is to minimize the adverse impact on the Group's financial performance due to the unpredictability of financial markets.

There were no changes in the Group's strategies and policies during 2018 and 2017.

### 22.1.1 Market risk

#### (a) Foreign exchange risk

The foreign exchange risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group manages its foreign exchange risk by constantly reviewing its exposure to commitments payable in foreign currency and ensuring appropriate cash balances are maintained to meet current commitments.

The Group's foreign currency denominated monetary asset and liabilities for the years ended December 31 are as follows:

	2018	2017	
	In USD	In USD	In HKD
Cash in bank	106,923	87,662	-
Borrowings	-	-	(19,000,000)
Accrued interest	-	-	(7,528,394)
Total	106,923	87,662	(26,528,394)
Exchange rates	52.7240	49.9230	6.3882
Peso equivalent	5,637,408	4,376,350	(169,468,687)

Details of net foreign exchange losses (gains) for the years ended December 31 are as follows:

	2018	2017	2016
Realized	5,893,103	(71,363)	(453,258)
Unrealized	(167,035)	(820,144)	9,037,062
	5,726,068	(891,507)	8,583,804

As at December 31, 2018 and 2017, the Group's exposure to currency risk relates to the foreign currency denominated cash in bank and borrowings (Note 9).

The table below presents the impact of possible movements of Philippine Peso against the US Dollar and Hongkong Dollar, with all other variables held constant, on the Parent Company's net income after tax. There is no impact on the Parent Company's equity other than those already affecting net income after tax.

	Change in exchange rate	Impact on income after tax
As at December 31, 2018		
US Dollar	+/-4.60%	(212,765.62)
As at December 31, 2017		
US Dollar	+/-6.13%	(270,845)
Hongkong Dollar	+/-5.72%	(9,820,812)

The reasonably possible movement in foreign currency exchange rates is based on the projection by the Parent Company using movement of the rates from the prior period.

(b) *Price risk*

The Group's exposure on price risk is minimal and limited only to investments classified as at fair value through profit or loss (Note 3), investment properties (Note 7) and available-for-sale financial assets presented under other non-current assets in the consolidated statement of financial position. Changes in market prices of these investments are not expected to impact significantly the financial position or results of operations of the Group.

As at December 31, 2018, the impact of 1.0% increase (decrease) in the bid share price of the Group's investments based on management's assessment of historical movements in price, with all variable held constant, would have an impact of possible increase (decrease) of P3,917,032 (2017 - P19,822) in the total comprehensive income for the year.

(c) *Interest rate risk*

Interest rate risk refers to risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest-bearing financial instruments include notes receivable (Note 4) and borrowings (Note 9). These financial instruments are not exposed to fair value interest rate risk as these are carried at amortized cost. Likewise, these instruments are not exposed to variability in cash flows as these carry fixed interest rates.

**22.1.2 Credit risk**

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Group by failing to discharge an obligation.

*Maximum exposure to credit risk*

The Group's exposure to credit risk primarily relates to cash in banks and financial receivables.

The table below shows the credit quality of significant financial assets (i.e., cash in banks and financial receivables as at December 31:

	Fully performing	Underperforming (Past due but not impaired)
2018		
Cash in banks	193,297,456	-
Notes and other receivables	-	111,800,706
	193,297,456	111,800,706
2017		
Cash in banks	5,605,579	-
Notes and other receivables	3,000,000	193,021,880
	8,605,579	193,021,880

(i) *Cash in banks*

The Group deposits its cash balances in a universal bank to minimize the credit risk exposure.

(ii) Notes and other receivables

As at December 31, 2018, notes and other receivables amounting to P111.80 million (2017 - P193.02 million) were deemed underperforming (past due but not impaired) and not subject to any provision for impairment. The age of these receivables is more than 180 days. These significantly relate to notes receivable from IRC which management believes to be recoverable given ongoing developments and business prospects of IRC. Moreover, it also expects IRC to generate positive returns on its investments when large scale development commences. Due from related parties, and advances and other receivables are monitored on an ongoing basis which normally results in an assessment that the Group's exposure to bad debts is not material.

### 22.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding through advances from related parties within the Group, extending payment terms for due to related parties, and an efficient collection of its notes receivables from third parties. The Group likewise regularly evaluates other financing instruments to broaden the Group's range of financing resources.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Balances due within 12 months approximate their carrying balances, as the impact of discounting is not significant.

	0 - 90 days	91 - 180 days	181 - 360 days	Total
As at December 31, 2018				
Borrowings	-	-	13,624,642	13,624,642
Accounts payable and accrued expenses*	-	-	18,336,255	18,336,255
Advances from related parties	-	-	9,002,267	9,002,267
	-	-	40,963,164	40,963,164
As at December 31, 2017				
Borrowings	-	-	135,054,491	135,054,491
Accounts payable and accrued expenses*	5,339,446	-	37,428,760	42,768,206
Advances from related parties	-	-	17,439,760	17,439,760
Future interest payable	2,459,457	2,459,457	4,918,914	9,837,828
	7,798,903	2,459,457	194,841,925	205,100,285

*\*This excludes taxes payable and deferred rental income.*

All financial assets and liabilities are classified as current as at reporting dates.

## 22.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. For this purpose, capital is represented by total equity as shown in the statement of financial position, as well as deposit for future share subscriptions presented under liabilities as follows:

	2018	2017
Total equity	698,180,233	1,158,556,479
Deposit for future share subscriptions	194,695,274	194,695,274
	892,875,507	1,353,251,753

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt.

Given the absence of development activities undertaken by the Group, it does not require intensive capitalization as at December 31, 2018 and 2017. The Group's main objective is the development of an existing prime property comprising of investment property held for rental and capital appreciation.

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, PSE requires listed entities to maintain a minimum of ten percent (10%) of their issued and outstanding shares, exclusive of any treasury shares, held by the public. The Group has fully complied with this requirement.

There are no external minimum capitalization requirements imposed to the Group.

There were no changes in the Group's strategies and policies during 2018 and 2017.

## 22.3 Fair value of financial assets and liabilities

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities as at December 31 as follows:

	2018		2017	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Fair value through profit or loss	392,936,944	392,936,944	1,982,245	1,982,245
Fair value at amortized cost				
Cash	193,312,456	193,312,456	-	-
Notes and other receivables	111,800,706	111,800,706	-	-
Loans and receivables				
Cash	-	-	5,620,579	5,620,579
Notes and other receivables	-	-	196,021,880	196,021,880
Available-for-sale financial assets	-	-	87,031	87,031
Total assets	698,050,106	698,050,106	203,711,735	203,711,735
Financial liabilities at amortized cost				
Borrowings	13,624,642	13,624,642	135,054,491	135,054,491
Accounts payable and other current liabilities*	18,336,255	18,336,255	42,768,206	42,768,206
Advances from related parties	9,002,267	9,002,267	17,439,760	17,439,760
Total liabilities	40,963,164	40,963,164	195,262,457	195,262,457

\*This excludes taxes payable and deferred rental income.



These carrying amounts approximate fair values at reporting dates due to the short-term nature of financial assets and liabilities.

#### **22.4 Fair value hierarchy**

The Group follows the fair value measurement hierarchy to disclose the fair values of its financial assets and liabilities. As at December 31, 2018 and 2017, the Group's financial assets at fair value through profit or loss and available-for-sale financial assets are classified under Level 1 while investment properties are classified under Level 3 category. The Group uses the market approach for its investment properties. The value of the investment properties was based on sales and listings of comparable property registered within the vicinity premised on the factors of time, unit area/size, unit location, unit improvements, building location, building feature/amenities, bargaining allowance and others.

#### **Note 23 - Critical accounting estimate and judgments**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### **23.1 Critical accounting estimate**

###### *(a) Estimate of fair value of investment properties (Note 7)*

The Group's investment properties have an estimated market value of P160,300 per square meter (2017 - P101,100 per square meter) for the commercial unit and P250 to P3,200 per square meter (2017 - P200 to P3,000 per square meter) for the land as at December 31, 2018 based on the following significant assumptions used by the independent appraiser:

- current prices in an active market for properties of similar nature, condition or location, adjusted to reflect possible differences on the factors of time, unit area or size, unit location, unit improvements, building location, building features or amenities, bargaining allowance and others; and
- recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

Investment properties in 2018 amounted to P400.27 million (2017 - P335.61 million). Where the estimated market value differs by 10% from management's estimates, the carrying amount of investment properties would have been P40.02 million (2017 - P33.56 million) higher or lower.

###### *(b) Retirement benefits (Note 18)*

The present value of the defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used include the discount rate and rates of salary increases. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

The sensitivities of the defined benefit obligation to changes in the principal assumptions as at December 31 are as follows:

Assumptions	2018	2017
Discount rate		
1% decrease	197,562	105,302
1% increase	(177,208)	(94,453)

## 23.2 Critical accounting judgments

### (a) Impairment of financial assets

The loss allowances for cash, and notes and other receivables are based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 24.25.

### (b) Recognition of deferred income tax assets (Note 13)

Management reviews at each reporting date the carrying amounts of deferred income tax assets. The carrying amount of deferred income tax assets is reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the related tax assets can be utilized.

Management believes that the non-recognition of deferred income tax assets from NOLCO amounting to P19.46 million (2017 - P13.10 million) is appropriate due to the Parent Company's limited capacity to generate sufficient taxable income in the immediately succeeding three to five years given current development activities.

### (c) Entities in which the Group holds less than 50% interest (Note 24.3)

Management consider that the Parent Company has de facto control over TAC, MAC, TTCI and TPHC even though it has less than 50% of the voting rights. There is no history of other shareholders forming a group to exercise their votes collectively. Based on the absolute size of the Parent Company's shareholding and the relative size of the other shareholdings, management has concluded that the Parent Company has sufficiently dominant voting interest to have the power to direct the relevant activities of these entities. Consistent with PFRS 10, the entities have been fully consolidated into the Group's consolidated financial statements. Management has assessed the level of influence that the Group has on IRC and determined that it has no significant influence with an ownership of 11.40% in 2018 (2017 - 29.62%) and control has not been established. Consequently, this investment previously classified as an associate has been reclassified to financial assets at FVPL in 2018.

### (d) Impairment of investment properties (Note 7)

The Group's investment properties were tested for impairment where the recoverable amount was determined using the market approach. The value of the investment properties was based on sales and listings of comparable property registered within the vicinity premised on the factors of time, unit area/size, unit location, unit improvements, building location, building feature/amenities, bargaining allowance and others which management believes are reasonable.

The carrying amount of investment properties amounted to P400.27 million as at December 31, 2018 (2017 - P335.61 million). No impairment loss was recognized on investment properties for the years ended December 31, 2018 and 2017.

*(e) Provision for litigation claims (Note 19)*

The Parent Company is a party to certain lawsuits or claims arising from the ordinary course of business. The provision for litigation claims is based on the final decision rendered by the Court of Appeals. The Parent Company's management and legal counsel believe that the liabilities under these lawsuits or claims will not have a material impact on the Group's consolidated financial statements. The Group's provision for litigation claims amounted to P47.77 million as at December 31, 2018 and 2017 and is shown as a separate line item in the consolidated statement of financial position.

*(f) Contingency (Note 20)*

The Parent Company is currently involved in a disputed claim. Management currently believes, in consultation with its legal counsels, that the ultimate outcome of the proceeding will not have a material effect on the Group's consolidated financial statements. It is possible, however, that future results of operations could materially be affected by changes in the estimate in the final outcome of the proceedings.

**Note 24 - Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**24.1 Basis of preparation**

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, investment properties and available-for-sale financial assets.

The preparation of consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements as disclosed in Note 23.

## **24.2 Changes in accounting policies and disclosures**

### *(a) New and amended standards adopted by the Group*

The following amendments and improvements to existing standards and interpretations are effective for the financial year beginning on January 1, 2018 which are relevant to the Group's financial statements:

The Group has applied the following new standards for the first time for its annual reporting period commencing January 1, 2018:

- PFRS 9, Financial Instruments
- PFRS 15, 'Revenue from Contracts with Customers'

The Group had to change its accounting policies following the adoption of PFRS 9 and PFRS 15. There were no retrospective adjustments in relation to the adoption. The details of the Company's adoption are disclosed in Note 24.25.

### *(b) New standards, amendments and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

- *PFRS 16, 'Leases'*, is the new standard for lease accounting that will replace PAS 17, 'Leases'. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with the standard's approach to lessor accounting substantially unchanged from PAS 17. The standard is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted, but only in conjunction with PFRS 15, 'Revenue from Contracts with Customers'. In order to facilitate transition, entities can choose a simplified approach that includes certain reliefs related to the measurement of the right-of-use asset and the lease liability, rather than full retrospective application; furthermore, the 'simplified approach' does not require a restatement of comparatives. In addition, as a practical expedient, entities are not required to reassess whether a contract is, or contains, a lease at the date of initial application (that is, such contracts are "grandfathered"). The Parent Company is a lessor on all of its lease agreements, hence, the adoption of the standard will not impact the Group's separate financial statements.

## **24.3 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2018 and 2017. The subsidiaries' financial statements are prepared for the same reporting year as the Parent Company. The Group uses uniform accounting policies, any difference between subsidiaries and the Parent Company are adjusted properly.

Details of subsidiaries are as follows:

Subsidiaries	Percentage of ownership in 2018 and 2017		
	Direct	Indirect	Total
T&M Holdings, Inc. (TMHI)	100.00%	-	100.00%
M&M Holdings Corporation (MMHC)	100.00%	-	100.00%
The Angeles Corporation (TAC)*	38.46%	15.02%	53.48%
The Taal Company, Inc. (TTCI)*	29.97%	14.49%	44.46%
Mindanao Appreciation Corporation (MAC)*	28.51%	13.98%	42.49%
Tagaytay Properties and Holding Corporation (TPHC)*	26.04%	-	26.04%

*\*With significant control or power to govern*

All subsidiaries are domestic companies registered and doing business in the Philippines and are principally engaged in the business of acquiring and disposing of interests in real and personal properties of any kind or description, marketable securities and shares of stock. The subsidiaries' registered office and principal place of business is at 35<sup>th</sup> Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the Parent Company do not differ from the proportion of ordinary shares held.

The summarized financial information of subsidiaries with significant non-controlling interest as at and for the years ended December 31 are as follows:

2018	TPHC	MAC	TTCI	TAC
(In thousands of Pesos)				
Total current assets	12,138	54,731	11,804	2,084
Total non-current assets	293,106	-	24,847	-
Total assets	305,244	54,731	36,651	2,084
Total current liabilities	41,542	31,417	4,823	10,703
Total non-current liabilities	78,695	88	7,250	-
Total liabilities	120,237	31,505	12,073	10,703
Net assets (liabilities)	185,007	23,226	24,578	(8,619)
Income	20,850	16,016	6,808	1
Expenses	(2,378)	(216)	(10,915)	(60)
Income (loss) before tax	18,472	15,800	(4,107)	(59)
Provision for income tax	(6,097)	70	(1,654)	-
Net income (loss) for the year	12,375	15,870	(5,761)	(59)
Other comprehensive loss	-	-	-	-
Total comprehensive income (loss)	12,375	15,870	(5,761)	(59)
Cash flows from:				
Operating activities	2,743	187	2,117	(640)
Investing activities	-	-	-	2,639
Net cash inflow (outflow)	2,743	187	2,117	1,999

2017	TPHC	MAC	TTCI	TAC	
(In thousands of Pesos)					
Total current assets	12,567	19,183	15,738		2,725
Total non-current assets	272,771	18,784	26,107		-
Total assets	285,338	37,967	41,845		2,725
Total current liabilities	(41,128)	(31,503)	(4,692)		(11,284)
Total non-current liabilities	(72,452)	-	(5,778)		-
Total liabilities	(113,580)	(31,503)	(10,470)		(11,284)
Net assets (liabilities)	171,758	6,464	31,375		(8,559)
Income	10,080	-	134		-
Expenses	(1,359)	(65)	(440)		(58)
Income (loss) before tax	8,721	(65)	(306)		(58)
Provision for income tax	(2,874)	-	(40)		-
Net income (loss) for the year	5,847	(65)	(346)		(58)
Other comprehensive loss	28	(9,253)	(3)		-
Total comprehensive income (loss)	5,875	(9,318)	(349)		(58)
Cash flows from:					
Operating activities	(500)	2	78		27
Investing activities	1	-	-		-
Financing activities	-	-	-		-
Net cash inflow (outflow)	(499)	2	78		27
	TPHC	MAC	TTCI	TAC	Total
(In thousands of Pesos)					
Accumulated balance of non-controlling interest					
December 31, 2018	136,831	13,358	13,656	(4,010)	159,835
	TPHC	MAC	TTCI	TAC	Total
(In thousands of Pesos)					
Non-controlling interest share in total comprehensive					
income (loss)					
December 31, 2018	9,153	9,126	(3,099)	(27)	15,153
December 31, 2017	4,345	(5,360)	(193)	(27)	(1,235)

*(a) Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. These are deconsolidated from the date that control ceases.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses the existence of control where it does not have more than 50% of the voting power but is able to govern the financial reporting and operating policies by virtue of de facto control. De facto control may arise in circumstances where the size Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is not accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

TPHC holds interests in the companies listed above namely: (1) The Angeles Corporation, 57.69%; (2) The Taal Company, Inc., 55.64%; and (3) Mindanao Appreciation Corporation, 53.68%.

*(b) Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions—that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

### *(c) Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

## **24.4 Cash**

Cash consist of cash on hand and deposits at call with banks. These are stated at face value or nominal amount.

## **24.5 Financial instruments**

### **24.5.1 Classification**

The Group classifies its financial assets and liabilities according to the categories described below. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets and liabilities at initial recognition.

#### *(a) Financial assets*

From January 1, 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value either through OCI (FVOCI) or through profit or loss (FVPL), and
- those to be measured at amortized cost.

As at December 31, 2018 and 2017, the Group has financial assets classified as financial assets at amortized cost and financial assets at FVPL.

#### *(i) Financial assets at amortized cost*

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the reporting date which are classified as non-current assets. The Group's financial assets at amortized cost comprise cash in bank (Note 24.4) and notes and other receivables (Note 24.6).

#### *(ii) Financial assets at FVPL*

Financial assets at FVPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, these are classified as non-current.

The Company's financial assets at FVPL are classified under this category.



*(b) Financial liabilities*

The Group classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that designated at fair value); and financial liabilities at amortized cost.

The Group only has financial liabilities measured at amortized cost which include accounts payable and other current liabilities (excluding taxes payable and deferred rental income) (Note 24.12) and advances from related parties.

24.5.2 Recognition and measurement

*(a) Initial recognition and measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the statement of comprehensive income under profit or loss.

*(b) Subsequent measurement*

*(i) Financial assets at amortized cost*

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains (losses) together with foreign exchange gains and losses. Significant impairment losses are presented as a separate line item in the statement of total comprehensive income under profit or loss.

*(ii) Financial assets at FVPL*

Gains or losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss, including interest and dividend income and interest expense, are presented in profit or loss within fair value gain (loss) on financial assets at FVPL in the period in which these arise. Dividend income from financial assets at FVPL is recognized under profit or loss in the statement of total comprehensive income as a separate line item when the Group's right to receive payment is established.

*(iii) Financial liabilities*

Financial liabilities at fair value through profit or loss are subsequently carried at fair value. Financial liabilities at amortized cost are measured at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial liabilities at fair value through profit or loss, including interest expense, are presented in profit or loss within 'Unrealized gain (loss) on securities' in the period in which these arise.

24.5.3 Impairment

The Group's new accounting policy on impairment of financial assets in relation to the adoption of PFRS 9 is disclosed in Note 24.25.

#### 24.5.4 Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

#### 24.5.5 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty. As at December 31, 2018 and 2017, there are no financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements.

#### 24.5.6 Accounting policies applied until December 31, 2017

The Group has applied PFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

##### *(i) Classification*

Until December 31, 2017, the Group classified its financial assets in the following categories:

- financial assets at FVPL,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

##### *Subsequent measurement*

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortized cost using the effective interest method.

Available-for-sale financial asset and financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognized as follows:

- for financial assets at FVPL - in profit or loss within other gains (losses);
- for available-for-sale financial asset that is a monetary security denominated in a foreign currency - translation differences related to changes in the amortized cost of the security were recognized in profit or loss and other changes in the carrying amount were recognized in other comprehensive income; and
- for other monetary and non-monetary securities classified as available-for-sale - in other comprehensive income.

*(ii) Impairment*

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

#### **24.6 Notes and other receivables**

Notes and other receivables represent claims for which formal instruments of credit are issued as evidence of debt, such as a promissory note. The credit instrument normally requires the debtor to pay interest and extends for time periods.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Relevant accounting policies for classification, recognition, measurement and derecognition of notes and other receivables are presented in Note 24.5.

#### **24.7 Prepayments**

Prepayments are recognized in the event that payment has been made in advance of obtaining right of access to receipt of services and measured at the amount of cash paid, which is equal to its nominal amount. Prepayments are derecognized in the consolidated statement of financial position as these expire with the passage of time or consumed in operations.

Prepayments are included in current assets, except when the related services are expected to be received or rendered for more than twelve months after the end of the reporting period, in which case, these are classified as non-current assets.

#### **24.8 Property and equipment**

Property and equipment are stated at historical cost less accumulated depreciation, amortization and impairment, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which these are incurred.

Depreciation or amortization is calculated using the straight-line method over the estimated useful lives of the related assets as follows:

Office condominium	25 years
Building improvements	10 years
Office equipment	5 years
Communication and other equipment	5 years
Transportation equipment	5 years
Furniture and fixtures	3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use (Note 25.11).

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost, appraisal increase and their related accumulated depreciation are removed from the accounts. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in profit or loss.

## **24.9 Investment properties**

Investment properties are defined as property held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the common course of business.

Investment properties, principally comprising of land and a commercial unit, are held for long-term rental yields and are not occupied by the Group. Investment properties are carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are recorded in profit or loss.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the period in which these are incurred.

Removal of an item within investment properties is triggered by a change in use, by sale or disposal. If investment properties become owner-occupied, they are reclassified as property and equipment, and the fair value at the date of reclassification becomes the cost for accounting purposes. Gain or loss arising on disposal is calculated as the difference between any disposal proceeds and the carrying amount of the related asset. This is recognized in profit or loss.

Properties that are being constructed or developed for future capital appreciation are classified as investment properties.

Impairment of investment properties is presented in Note 25.11.

#### **24.10 Fair value measurement**

Fair value is the 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 of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

The Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques for non-financial assets are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Group's financial assets at fair value through profit or loss and available-for-sale financial assets are classified under Level 1 category. Investment properties are classified under Level 3 category.

#### **24.11 Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that have a definite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### **24.12 Accounts payable and other current liabilities**

Accounts payable and other current liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable and other current liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, these are presented as non-current liabilities.

Accounts payable and other current liabilities are measured at the original invoice amount as the effect of discounting is immaterial.

Relevant accounting policies for classification, recognition, measurement and derecognition of accounts payable and other current liabilities and financial liabilities at amortized cost are presented in Note 24.5.

#### **24.13 Borrowings and borrowing costs**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds net of transaction costs and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting date.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. All other borrowing costs are expensed as incurred.

#### **24.14 Current and deferred income tax**

The income tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred income tax liability arises from the initial recognition of goodwill. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associate. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis.

Deferred income tax assets and liabilities are derecognized when related bases are realized or when it is no longer realizable.

#### **24.15 Employee benefits**

##### *(a) Retirement benefit obligation*

The Parent Company has less than 10 employees and has not yet formalized its employee retirement plan but it plans to provide retirement benefits. The retirement benefits under RA 7641 are considered as defined benefit plan. Defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The retirement obligation is equivalent to half-month compensation and calculated proportionately to the length of service of an employee.

##### *(b) Other short-term benefits*

The Parent Company recognizes a liability and an expense for short-term employee benefits which include salaries, social security contributions, paid sick and vacation leaves. The Parent Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Liabilities for short-term employee benefits are derecognized when the obligation is settled, cancelled or has expired.

#### **24.16 Provisions**

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.



Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are derecognized when the obligation is settled, cancelled or has expired.

#### **24.17 Deposit for future share subscriptions**

Deposit for future share subscriptions represents amounts received from shareholder which will be settled by way of issuance of the Parent Company's own shares at a future date which may or may not materialize. These are recognized upon receipt of cash and measured at face value or nominal amount. The Group considers the deposit as a liability unless all of the following elements are present:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the subscription agreement;
- There is a Board of Director's approval on the proposed increase in authorized capital stock to cover the shares corresponding to the amount of the deposit;
- There is shareholders' approval of the proposed increase; and
- The application for the approval of the proposed increase in authorized share capital has been filed with the SEC.

Deposits for future share subscriptions are derecognized once share has been issued or the shareholder cancels the subscription.

#### **24.18 Equity**

##### *(a) Common shares*

Share capital consists of common shares, which are stated at par value, that are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

##### *(b) Share premium*

Share premium is recognized for the excess proceeds of subscriptions over the par value of the shares issued.

##### *(c) Treasury shares*

Where any member of the Group purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Parent Company's shareholders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Parent Company's shareholders.

*(d) Retained earnings*

Retained earnings include current and prior years' results of operations, net of transactions with shareholders and dividends declared, if any.

**24.19 Earnings per share**

Basic earnings per share is calculated by dividing net income attributable to the Parent Company by the weighted average number of common shares in issue during the year.

Diluted earnings per share is computed in the same manner as basic earnings per share, however, profit attributable to common shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

**24.20 Revenue and expense recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. The Group recognizes revenue when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow to the Group and specific criteria have been met for each of its activities as described as follows. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

*(a) Rental income*

Rental income from operating leases (the Group is the lessor) is recognized as income on a straight-line basis over the lease term. When the Group provides incentives to its lessees, the cost of incentives are recognized over the lease term, on a straight-line basis, as a reduction of rental income.

*(b) Interest income and expense*

Interest income and expense are recognized in profit or loss for all interest-bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss.

*(c) Dividend income*

Dividend income is recognized when the right to receive payment is established.

*(d) Other income*

Other income is recognized when earned.

*(d) Expenses*

Expenses are recognized when these are incurred.

**24.21 Leases**

*(a) The Group is the lessor*

Properties leased out under operating leases are included in “Investment properties” in the consolidated statement of financial position. Rental income under operating leases is recognized in profit or loss on a straight-line basis over the period of the lease.

*(b) The Group is the lessee*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

When the Group enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset or is dependent on the use of a specific asset or assets, the Group assesses whether the arrangement is, or contains, a lease. The Group does not have such arrangements.

**24.22 Foreign currency transactions and translation**

*(a) Functional and presentation currency*

Items included in the Group’s consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Group’s consolidated financial statements are presented in Philippine Peso, which is the Parent Company’s functional and presentation currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions or valuation where items are measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

## **24.23 Related party relationships and transactions**

### *(a) Related party relationship*

A related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its shareholders.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

### *(b) Related party transaction*

Related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party regardless of whether a price is charged or not.

## **24.24 Contingency**

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 also not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is virtually certain.

## **24.25 Change in accounting policy**

This note explains the impact of the adoption of PFRS 9, Financial Instruments and PFRS 15, Revenue from Contracts with Customers on the Group's financial statements.

### *(a) PFRS 9, Financial Instruments*

The Group has adopted PFRS 9 with a date of transition of January 1, 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. The Group did not early adopt PFRS 9 in previous periods.

As permitted by the transitional provisions of PFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognized in the opening retained earnings of the current period.

The adoption of PFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

Specified below are the disclosures relating to the impact of the adoption of PFRS 9 on the Group. Further details of the specific PFRS 9 accounting policies applied in the current period (as well as the previous PAS 39 accounting policies applied in the comparative period) are described in more detail in Note 24.5.

*(i) Classification and measurement*

The closing balances of cash in bank and notes and other receivables as at December 31, 2017 amounting to P5,620,579 and P196,021,880, respectively, show loans and receivables under amortized cost. As at January 1, 2018, these were reclassified into financial assets at amortized cost. These reclassifications have no impact on the measurement categories. The financial assets at amortized cost include cash in bank and notes and other receivables (Note 4) in the statement of financial position.

There were no changes to the classification and measurement of financial liabilities.

*(ii) Impairment of financial assets*

From January 1, 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by PFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The Group's management noted that the assessment of expected credit loss based on PFRS 9 is not materially different with current policy of the Group. As a result, there was no adjustment on the Group's retained earnings (deficit) as at January 1, 2018 as a result of the adoption of PFRS 9.

*(b) PFRS 15, Revenue from Contracts with Customers*

PFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and, thus has the ability to direct the use and obtain the benefits from the good or service. Under the new standard, the notion of control replaces the existing notion of risks and rewards.

The standard replaces PAS 18, Revenue, and PAS 11, Construction Contracts, and related interpretations. A five-step process must be applied before revenue can be recognized which include: (i) identification of contracts with customers; (ii) identification of the separate performance obligation; (iii) determination of the transaction price of the contract; (iv) allocation of the transaction price to each of the separate performance obligations; and (v) recognition of revenue as each performance obligation is satisfied. Revenue may also be recognized earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome, etc.) - minimum amounts must be recognized if these are not at significant risk of reversal. Further, the point at which revenue is able to be recognized may shift: some revenue which is currently recognized at a point in time at the end of a contract may have to be recognized over the contract term and vice versa. The Group has adopted the new standard effective January 1, 2018. The Group's revenue contracts do not have performance obligations other than to lease its investment properties. The adoption did not require any change in the Group's current revenue recognition policy.

#### **24.26 Reclassification**

Certain amounts in the 2017 consolidated financial statements have been reclassified to conform to the current period presentation, including the reclassification of P2,043,750 provision for retirement benefits previously presented as part of accounts payable and other current liabilities now shown separately in the consolidated statement of financial position. In addition, collection of principal and interest on notes receivables made in 2016 previously presented as part of operating activities amounting to P107,876,522 and P142,444,937, respectively, were reclassified to investing activities in the statement of cash flows. Such reclassifications did not affect the previously reported net income or retained earnings or net cash flows.

#### **24.27 Subsequent events**

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

**Mabuhay Holdings Corporation**

**Schedule of Philippine Financial Reporting Standards effective as at  
December 31, 2018**

The following table summarizes the effective standards, amendments and interpretations as at December 31, 2018:

		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Measurement of Cash-settled Share-based Payment Transactions*			✓



		Adopted	Not Adopted	Not Applicable
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
	Amendments to PFRS 3: Definition of a business*			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Implementation of PFRS 9*			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Disclosures - Hedge Accounting*			✓
	Amendments to PFRS 9 and PFRS 7: Mandatory Effective Date and Transition Disclosures	✓		
<b>PFRS 8</b>	Operating Segments			✓
<b>PFRS 9</b>	Financial Instruments	✓		
	Amendments to PFRS 9, PFRS 7 and PAS 39: Hedge Accounting			✓



		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 9 and PFRS 7: Mandatory Effective Date and Transition Disclosures	✓		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation*		✓	
	Financial Instruments	✓		
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*			✓
<b>PFRS 11</b>	Joint Arrangements			✓
	Amendments to PFRS 11: Acquisition of an Interest in a Joint Operation			✓
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities			✓
<b>PFRS 13</b>	Fair Value Measurement	✓		
<b>PFRS 14</b>	Regulatory Deferral Accounts			✓
<b>PFRS 15</b>	Revenue from Contracts with Customers	✓		
	Amendments to PFRS 15: Clarifications to PFRS 15	✓		
<b>PFRS 16</b>	Leases*		✓	
<b>PFRS 17</b>	Insurance Contracts*			✓
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative			✓
	Amendments to PAS 1 and PAS: Definition of material*		✓	



		Adopted	Not Adopted	Not Applicable
<b>PAS 2</b>	Inventories			✓
<b>PAS 7</b>	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
	Amendments to PAS 1 and PAS: Definition of material*		✓	
<b>PAS 10</b>	Events after the Reporting Period	✓		
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 16 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
<b>PAS 16</b>	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
<b>PAS 17</b>	Leases	✓		
<b>PAS 19 (Revised)</b>	Income Taxes	✓		
	Amendment to PAS 16 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
<b>PAS 23 (Revised)</b>	Borrowing Costs	✓		
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans			✓
<b>PAS 27 (Revised)</b>	Separate Financial Statements	✓		



		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 27: Use of Equity Method in Separate Financial Statements			✓
<b>PAS 28 (Revised)</b>	Investments in Associates and Joint Ventures	✓		
	Amendments of PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contributions of Assets between an Investor and its Associate or Joint Venture			✓
	Amendment to PAS 28: Measuring an associate or joint venture at fair value			✓
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 32</b>	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting			✓
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets			✓
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization			✓
<b>PAS 40</b>	Investment Property	✓		
	Amendment to PAS 40: Transfers of Investment Property			✓
<b>PAS 41</b>	Agriculture			✓

		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	✓		
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment			✓
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 13</b>	Customer Loyalty Programmes			✓
<b>IFRIC 14</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirement			✓
<b>IFRIC 15</b>	Agreements for the Construction of Real Estate*		✓	



		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			✓
<b>IFRIC 18</b>	Transfers of Assets from Customers			✓
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			✓
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓
<b>IFRIC 21</b>	Levies	✓		
<b>IFRIC 22</b>	Foreign Currency Transactions and Advance Consideration*		✓	
<b>IFRIC 23</b>	Uncertainty over Income Tax Treatments			✓
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-15</b>	Operating Leases - Incentives			✓
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
<b>SIC-29</b>	Service Concession Arrangements: Disclosures			✓
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓

The standards, amendments and interpretations marked with an asterisk (\*) have been issued but are not yet effective for December 31, 2018 financial statements. Unless otherwise stated, these standards, amendments and interpretations have not been early adopted.

The standards, amendments and interpretations that are labeled as "Not Applicable" are already effective as at December 31, 2018 but will never be relevant/applicable to the Company or are currently not relevant to the Company because it has currently no related transactions.

**Mabuhay Holdings Corporation**  
35th Floor, Rufino Pacific Tower  
6784 Ayala Avenue, Makati City

Reconciliation of Parent Company's Retained Earnings for Dividend Declaration  
For the year ended December 31, 2018  
(All amounts in Philippine Peso)

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**Unappropriated Retained Earnings, as adjusted to available  
for dividend distribution, beginning**

Net income during the period closed to Retained Earnings	104,779,905	(505,121,852)
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Less: Non-actual/unrealized income net of tax

Equity in Net income of associate/joint venture		
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	(167,035)	

Unrealized actuarial gain

Fair value adjustment (mark-to-market gains)	(85,002,719)	
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Fair value adjustment of Investment Property resulting to gain	(40,016,455)	
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Adjustment due to deviation from PFRS/GAAP-gain

Other unrealized gains or adjustments to the retained  
earnings as a result of certain transactions accounted for  
under PFRS

Subtotal	(125,186,209)	
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Add: Non-actual losses

Depreciation on revaluation increment (after tax)

Unrealized foreign exchange loss - net except (Cash  
and Cash Equivalents)

Adjustment due to deviation from PFRS/GAAP - loss

Unrealized fair value adjustment (mark-to-market loss)

Loss on fair value adjustment of investment property (after  
tax)

Subtotal	-	
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<b>Net income actually incurred during the period</b>		(20,406,304)
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Add (Less):

Dividend declarations during the period

Appropriations of Retained Earnings during the period

Reversals of appropriations

Treasury shares

<b>Total Retained Earnings available for dividends, ending</b>		(525,528,156)
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## **Mabuhay Holdings Corporation and Subsidiaries**

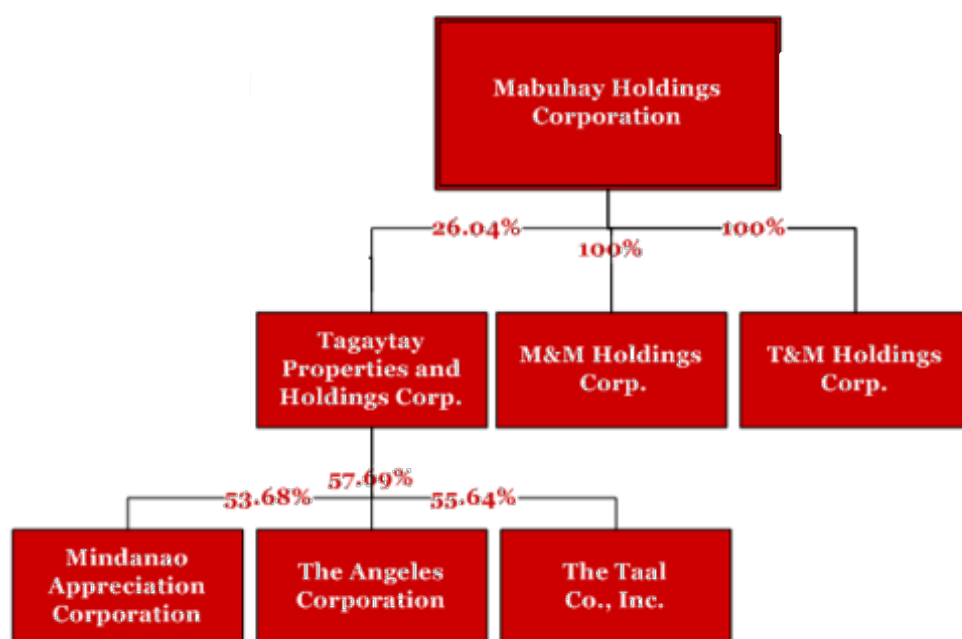
### Financial Soundness Indicators December 31, 2018 and 2017

	2018	2017
Net profit (loss) ratio	(4.8774)	1.0471
Return on asset	(0.4173)	0.0140
Return on equity	(0.6594)	0.0203
Current ratio	2.4637	0.4695
Acid test ratio	2.4543	0.4634
Debt to equity	.5803	0.4563
Debt to asset	.3672	0.3133
Asset to equity	1.5803	1.4563
Interest coverage	(19.5018)	3.8545
Earnings per share	(0.4873)	0.0200



## **Mabuhay Holdings Corporation and Subsidiaries**

Map of the Group of Companies within which the Reporting Entity Belongs  
December 31, 2018





## Mabuhay Holdings Corporation and Subsidiaries

### Schedule A. Financial Assets December 31, 2018

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
Philippine Infradev Holdings, Inc.	170,947,589	384,632,075	384,632,075	-
Ayala Land Inc.	63,800	2,590,280	2,590,280	-
Bank of the Philippine Islands	30,000	2,820,000	2,820,000	-
Philippine Long Distance	1,050	1,181,250	1,181,250	-
Phil. Realty A	2,023,428	859,957	859,957	-
Basic Energy Corp.	1,110,000	266,400	266,400	-
RFM Corporation	40,000	195,600	195,600	-
Greenenergy H./Musx Corp.	62,300	123,977	123,977	-
Filinvest Land, Inc.	84,250	118,793	118,793	-
Ayala Corporation	69	62,100	62,100	-
Cosco Capital, Inc.	5,000	33,550	33,550	-
BDO Unibank, Inc.	147	19,228	19,228	-
F. Estate Land Inc.	6,850	7,741	7,741	-
Swift Food Inc.	44,621	5,578	5,578	-
GMA Network, Inc.	1,000	5,440	5,440	-
National Reinsurance Corp.	5,000	4,550	4,550	-
United P. Mining Corp.	750,000	4,125	4,125	-
Swift Food Inc. (Preference)	1,759	3,782	3,782	-
Filipino Fund Inc.	330	2,427	2,427	-
Manila Mining Corp. (B)	9,551	61	61	-
Manila Mining Corp. (A)	4,345	30	30	-
Total		392,936,944	392,936,944	-

## Mabuhay Holdings Corporation and Subsidiaries

### Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other Than Related Parties) December 31, 2018

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
South China Holdings Corporation	413,008	-	-	(413,008)	-	-	-
Philippine Strategic Intl. Holdings, Inc.	92,082	-	-	(92,082)	-	-	-
Intrinsic Value Management Ltd.	181,532	-	(1,242)	-	180,290	-	180,290
	686,622	-	(1,242)	-	180,290	-	180,290

## Mabuhay Holdings Corporation and Subsidiaries

### Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of the financial statements December 31, 2018

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Mabuhay Holdings Corporation	192,745,933	-	(140,334,317)	-	52,411,616	-	52,411,616
Mindanao Appreciation Corporation	18,840,436	-	(254,693)	(62,102)	18,523,641	-	18,523,641
M&M Holdings Corporation	68,271,461	-	-	-	68,271,461	-	68,271,461
The Angeles Corporation	2,638,750	-	(2,638,750)	-	-	-	-
T&M Holdings, Inc.	312,713	485,677	-	(189,175)	609,215	-	609,215
Tagaytay Properties Holdings Corporation	5,384,040	-	(568,174)	(127,922)	4,687,944	-	4,687,944
The Taal Company, Inc.	15,134,236	-	(2,140,374)	(10,716,998)	2,276,864	-	2,276,864
<b>Total</b>	<b>303,327,569</b>	<b>485,677</b>	<b>(145,936,308)</b>	<b>(11,096,197)</b>	<b>146,780,741</b>	<b>-</b>	<b>146,780,741</b>

**Mabuhay Holdings Corporation and Subsidiaries**

Schedule D. Intangible Assets - Other Assets  
December 31, 2018

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
NONE						

**Mabuhay Holdings Corporation and Subsidiaries**

Schedule E. Long-term debt  
December 31, 2018

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet"
	NONE		

**Mabuhay Holdings Corporation and Subsidiaries**

Schedule F. Indebtedness to related parties (Long-term loans from Related Companies)  
December 31, 2018

Name of related party	Balance at beginning of period	Balance at end of period
NONE		

**Mabuhay Holdings Corporation and Subsidiaries**

Schedule G. Guarantees of Securities of Other Issuers  
December 31, 2018

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
	NONE			

## **Mabuhay Holdings Corporation and Subsidiaries**

### **Schedule H. Capital Stock December 31, 2018**

<b>Title of issue</b>	<b>Number of shares authorized</b>	<b>Number of shares issued and outstanding as shown under related balance sheet caption</b>	<b>Number of shares reserved for options, warrants, conversion and other rights</b>	<b>Number of shares held by related parties</b>	<b>Directors, officers and employees</b>	<b>Others</b>
<b>COMMON SHARES</b>	4,000,000,000	1,200,000,000	-	58,627,864	1,641	1,143,370,495