

**COVER SHEET**

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S. E. C. Registration Number

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(Company's Full Name)

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

Mr. Delfin P. Angcao
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DE

8817 6791
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Contact Person

Telephone Number

**2020 ASM - DEFINITIVE INFORMATION STATEMENT**

FORM TYPE

1	2	3	1
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Month Day  
Fiscal Year

0	5	0	5
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Month Day  
Annual Meeting

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Secondary License Type, If Applicable

C	F	D
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Dept. Requiring this Doc

N/A
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Amended Articles Number / Section

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Total No. of Stockholders

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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Cashier
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<b>STAMPS</b>
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# MABUHAY HOLDINGS CORPORATION

35/F Rufino Pacific Tower, 6784 Ayala Avenue, Makati City

Tel No. 7750-2000 Fax No. 7751-0773

October 12, 2020

## **NOTICE OF ANNUAL STOCKHOLDERS' MEETING**

Dear Stockholder:

Please be notified that the annual meeting of the stockholders of MABUHAY HOLDINGS CORPORATION (the "Company") will be held on November 5, 2020, Thursday, at 2:00 p.m. through remote communication. The Chairman of the meeting shall call and preside the meeting in Metro Manila which is the place where the principal office of the Company is located. The meeting may be accessed thru the link provided below by all the stockholders of record as of September 30, 2020 or their proxies who have registered to attend the meeting. The agenda of the meeting is as follows:

1. Call to order
2. Proof of notice and certification of quorum
3. Approval of the minutes of the previous meeting of the stockholders
4. Management report and approval of the 2019 audited financial statements
5. Ratification of resolutions, contracts, and acts of the Board of Directors and Management
6. Election of directors
7. Appointment of external auditors
8. Other matters
9. Adjournment

For purposes of the meeting, the stockholders of record as of September 30, 2020 shall be entitled to notice of, participation via remote communication, and voting *in absentia* at such meeting and any adjournment thereof.

Stockholders who wish to participate in the meeting via remote communication and to exercise their right to vote *in absentia* must register through the following link: <https://agm.conveneagm.com/mhcagm2020> and submit the required applicable information listed therein, *i.e.* driver's license, voter's ID, TIN card, SSS card or passport. All information submitted will be subject to verification and validation.

Successfully registered stockholders can cast their votes *in absentia* through the Company's secure online voting facility and will be provided access to the live streaming of the meeting. For the detailed registration and voting procedures, please refer to the attached Guidelines and Procedures for Participating *via* Remote Communication and Voting *in Absentia*.

You may vote *in absentia*, or through proxy. **Voting *in absentia*** is through the online voting facility, the link of which will be emailed after validating the registration of the stockholders. Deadline for casting of votes is on or before 5:00 pm of November 3, 2020. **To vote by proxy**, you may download, fill-up and sign the proxy form found in the Company's website at <http://www.mabuhayholdingscorp.com/news/2020-Annual-Stockholders-Meeting->

November-5-2020 or at <https://agm.conveneagm.com/mhcagm2020> and send the scanned copy thereof by email to [admin@mabuhayholdingscorp.com](mailto:admin@mabuhayholdingscorp.com) not later than October 26, 2020. Corporate stockholders should attach to the proxy their respective Board Resolutions *vis-à-vis* the authority of their proxies. When signing as attorney-in-fact, executor, administrator, guardian or in any representative capacity, please give full title and file papers showing your authority. Validation of proxies shall be held at the office of the Company on October 30, 2020 at 2:00 pm.

Electronic copies of the Notice of the Meeting, Guidelines and Procedures for Participating *via* Remote Communication and Voting *in Absentia*, Definitive Information Statement, Management Report, SEC Form 17A, and other related documents in connection with the annual meeting may be accessed through the QR Code below, the Company's website at <http://www.mabuhayholdingscorp.com/news/2020-Annual-Stockholders-Meeting-November-5-2020> or at <https://agm.conveneagm.com/mhcagm2020> and through the PSE Edge portal at <https://edge.pse.com.ph>.

For any concerns, please reach us through [admin@mabuhayholdingscorp.com](mailto:admin@mabuhayholdingscorp.com).



**DELFIN P. ANGCAO**  
Corporate Secretary



**GUIDELINES AND PROCEDURES FOR PARTICIPATING VIA REMOTE  
COMMUNICATION AND VOTING IN ABSENTIA AT THE 2020 ANNUAL  
STOCKHOLDERS' MEETING  
OF  
MABUHAY HOLDINGS CORPORATION**

As a precautionary and safety measure in view of the Corona Virus Disease 2019 (COVID-19) pandemic, Mabuhay Holdings Corporation (the "Company") will be conducting its Annual Stockholder's Meeting ("ASM") on November 5, 2020 at 2:00 PM, by way of a virtual meeting through remote communication or *in absentia*.

Only Stockholders of record as of September 30, 2020 who have successfully registered for the meeting shall be able to participate and vote in the 2020 ASM.

**I. Registration and Participation/Attendance Procedure:**

1. Stockholders who intend to participate in the virtual ASM may register at <https://agm.conveneagm.com/mhcagm2020> with the following requirements for registration:
  - a. *For individual stockholders holding stock certificates in their names:*
    - i. Scanned copy of any valid government-issued ID;
    - ii. Active contact number, either landline or mobile;
    - iii. Proxy Form, if any.
  - b. *For corporate stockholders holding stock certificates in the name of the corporation:*
    - i. Secretary's Certificate attesting to the authority of the representative to participate and / or vote in the 2020 ASM;
    - ii. Documents required under items 1.a (i), (ii) and (iii) for the authorized representative.
  - c. *For stockholders with joint accounts:*
    - i. Scanned copy of authorization letter signed by other stockholders indicating the person among them authorized to participate and/or vote in the 2020 ASM;
    - ii. Documents required under items 1.a (i), (ii) and (iii) for the authorized stockholder;
  - d. *For stockholders under PCD Participant / Brokers Account or "Scripless Shares":*
    - i. Coordinate with the broker and request for the full account name and reference number or account number;
    - ii. Documents required under items 1.a (i), (ii) and (iii).

2. Upon successful registration at <https://agm.conveneagm.com/mhcagm2020> and validation of the documents, the stockholder will receive an email confirmation and a unique link which can be used to log in and view the 2020 ASM.
3. Only those stockholders who have registered following the procedure above, and stockholders who have voted by providing their executed Proxy Form shall be included for purposes of determining the existence of a quorum.
4. For purposes of voting during the 2020 ASM, please see section on Voting Procedure below.
5. For the Question and Answer portion for the 2020 ASM, stockholders may send their questions related to the agenda at <https://agm.conveneagm.com/mhcagm2020>. Due to limitations on technology and time, not all questions may be responded to during the 2020 ASM but the Company will endeavor to respond to all the questions through email.
6. In compliance with SEC requirements, the proceedings during the 2020 ASM will be recorded.
7. Stockholders intending to participate by remote communication in the 2020 ASM are required to register not later than 5:00 pm of October 26, 2020.
8. In compliance with the SEC Notice dated 2020 April 2020, the Definitive Information Statement, the Management Report, SEC Form 17A and other pertinent documents may be accessed through the Company's website at <http://www.mabuhayholdingscorp.com/news/2020-Annual-Stockholders-Meeting-November-5-2020>.

## **II. Voting Procedure:**

Stockholders may vote during the 2020 ASM either (1) by Proxy or (2) by voting *in absentia* through our Online Stockholder Voting System.

1. Voting by Proxy:
  - a. Stockholder may download the Proxy Form at the Company's website at <http://www.mabuhayholdingscorp.com/news/2020-Annual-Stockholders-Meeting-November-5-2020> or at <https://agm.conveneagm.com/mhcagm2020> and accomplish and sign the same. The Company's Chairman or President or your designated proxy is authorized to cast the votes pursuant your instructions in the Proxy Form.
  - b. Send a scanned copy of the executed Proxy Form by email to [admin@mabuhayholdingscorp.com](mailto:admin@mabuhayholdingscorp.com)
  - c. The scanned copy of the executed Proxy Form should be emailed to the above email address not later than October 26, 2020.
  - d. The original copy of the signed Proxy Form should subsequently be delivered to:

The Corporate Secretary  
Mabuhay Holdings Corporation  
35/F. Rufino Pacific Tower, 6784 Ayala Avenue, Makati City 1223

2. Voting *in absentia* through the Online Stockholder Voting System:
  - a. Follow the Registration and Participation/Attendance Procedure set forth in Item I above.
  - b. Stockholders may vote in absentia through the Online Stockholder Voting System not later than 5:00 PM of November 3, 2020.
  - c. Upon validation, the Company will send an email to the stockholder containing the link for the Online Stockholder Voting System and the instructions for casting votes in the Online Stockholder Voting System. Registered stockholders shall have until 5:00 PM of November 3, 2020 to cast their votes.
  - d. All agenda items indicated in the Notice of Meeting will be included in the Online Stockholder Voting System and the registered stockholder may vote as follows:
    - i. For items other than election of the Directors, the stockholder may vote: "For", "Against", or "Abstain". The vote shall be considered as cast for all the stockholder's shares.
    - ii. For the election of Directors, the stockholder may either vote for all the nominees, not vote for any of the nominees, or vote for some of the nominees only, in such number of shares as the stockholder may see fit, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of Directors to be elected.
  - e. Once voting is completed in the Online Stockholder Voting System, the stockholder shall proceed to click on the "Submit" button which shall complete the process. Once submitted, the stockholder may no longer change the votes cast. The votes cast *in absentia* will have equal effect as votes cast by proxy.

For any questions or clarification, you may contact us through:

- Email at [admin@mabuhayholdingscorp.com](mailto:admin@mabuhayholdingscorp.com); or
- Telephone number at +63277502000
- For your shareholdings, our stock transfer agent, Stock Transfer Service, Inc. (STSI), through telephone number +63284032410.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

- Preliminary Information Statement  
 **Definitive Information Statement**

2. Name of Registrant as specified in its charter: **MABUHAY HOLDINGS CORPORATION**

3. **PHILIPPINES**

Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **150014**

5. BIR Tax Identification Code **000-473-206-000**

6. **35/F Rufino Pacific Tower, 6784 Ayala Avenue, Makati City**

Address of principal office

**1223**

Postal Code

7. Registrant's telephone number, including area code **(632) 7750-2000**

8. **November 5, 2020, Thursday, at 2:00 p.m., Metro Manila via remote communication**

Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders **October 14, 2020**

10. In case of Proxy Solicitations: **Not Applicable**

Name of Person Filing the

Statement/Solicitor: \_\_\_\_\_

Address and Telephone No.: \_\_\_\_\_

11. Securities registered pursuant to Sections 8 and 12 of the Securities Regulations Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class

Number of Shares of Common Stock

**COMMON STOCK**

**1,200,000,000 shares**

12. Are any or all of registrant's securities listed on a Stock Exchange?

Yes  No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

**PHILIPPINE STOCK EXCHANGE**

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**COMMON SHARES OF STOCK**

**PART I.**  
**INFORMATION REQUIRED IN INFORMATION STATEMENT**

**A. GENERAL INFORMATION**

**Item 1. Date, Time and Place of Meeting of Security Holders**

The annual stockholders' meeting of Mabuhay Holdings Corporation (the "Registrant" or the "Company") shall be on November 5, 2020, Thursday, at 2:00 p.m. *via* remote communication. The Chairman will call and preside the meeting in Metro Manila which is the place where the principal office of the Company is located.

The mailing address of the Registrant is at 35/F, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, 1223.

The approximate date on which this Information Statement is first to be sent or given to stockholders is on October 14, 2020.

**Item 2. Dissenters' Right of Appraisal**

A stockholder has the right to dissent and demand payment of the fair value of his shares: (i) in case any amendment to the Company's Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences over the outstanding shares, or of extending or shortening the term of corporate existence; (ii) in case of any sale, lease, mortgage or disposition of all or substantially all of the corporate property or assets; (iii) in case of merger or consolidation; and (iv) in case of investment of corporate funds in another corporation or business or for any purpose other than the primary purpose.

If an action which may give rise to the right of appraisal is proposed at the meeting, any stockholder who voted against the proposed action and who wishes to exercise such right must make a written demand, within thirty (30) days after the date of the meeting or when the vote was taken, for the payment of the fair market value of his shares. Upon payment, he must surrender his certificates of stock. No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment.

There are no matters or proposed corporate actions at this year's annual stockholders' meeting of the Company which may give rise to a possible exercise by security shareholders of their appraisal rights under the provisions of the Revised Corporation Code of the Philippines.

**Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

No person who is or has been a director or officer of the Registrant, or a nominee for election as director, or an associate of the said persons, has any substantial interest, direct or indirect, by security holdings or otherwise in any matter to be acted upon during the meeting other than election to office.

None of the persons mentioned above has informed the Registrant in writing of any intention to oppose any action to be taken at the meeting.



**B. CONTROL AND COMPENSATION INFORMATION**

**Item 4. Voting Securities and Principal Holders Thereof**

- (a) The Registrant has one class of shares, subscribed and outstanding as of September 30, 2020, the Record Date:

Common shares - 1,200,000,000

Of the said subscribed and outstanding shares, 368,478,160 shares or 30.71% are owned by foreigners, while 831,521,840 shares or 69.29% are owned by Philippine nationals.

- (b) Number of Votes entitled: Every stockholder entitled to vote as of the Record Date shall be entitled to one (1) vote per share of stock. Provided, however, that in the case of election of directors, every stockholder has the right to cumulate and cast his votes in accordance with Section 23 of the Revised Corporation Code of the Philippines. Section 23 of the Revised Corporation Code of the Philippines provides in part that a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected.
- (c) The Record Date is on September 30, 2020. All stockholders of record as of September 30, 2020 are entitled to notice of, participate in via remote communication, and to vote *in absentia* at the Annual Stockholders' Meeting.
- (d) Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

Stockholders owning more than 5% of the Registrant's shares of stocks as of September 30, 2020:

Title of Class	Name And Address Of Record Owner And Relationship With Issuer	Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	PCD Nominee Corporation* 37/F The Enterprise Center, 6767 Ayala Avenue, Makati City	B.A. Securities, Inc.*	Filipino	318,288,988	26.52%

Common	Prokey Investment Ltd.** c/o Mabuhay Holdings Corporation: 35/F, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, 1223	Esteban G. Peña Sy**	Filipino	351,289,763	29.27%
Common	PCD Nominee Corporation* G/F MSE Building 6767 Ayala Avenue, Makati City	B.A. Securities, Inc.*	Foreign	367,465,010	30.62%
Common	Guoco Securities (Phils.), Inc.	Guoco Securities (Phils.) Inc.***	Filipino	123,192,131	10.27%
TOTAL				1,160,235,892	96.68%

\* B.A. Securities, Inc. is the only participant under the PCD that owns 5% or more of the Company's voting stock. While in the past years, Atty. Roberto V. San Jose, the Chairman of the Meeting, and/or Ms. Esteban G. Peña Sy, President of Registrant, was appointed proxy for the shares in the name of B.A. Securities, Inc., Registrant is not yet aware of the identity of its new proxy, if any, entitled to vote in the forthcoming annual stockholders' meeting.

\*\* Prokey Investment Ltd. (Prokey) is a 100% Filipino-owned company registered in the British Virgin Islands and licensed by the SEC on March 15, 2010 to operate a Representative Office in the Philippines. Mr. Esteban Peña Sy, President of the Registrant and the owner of Prokey will exercise his right to vote for these shares.

\*\*\* Registrant is not yet aware of the identity of the proxy for the shares in the name of Guoco Securities Phils. Inc. entitled to vote in the forthcoming annual stockholders' meeting. The identity of its proxy will be known only upon its submission, if any, of its proxy instrument.

(2) Security Ownership of Management.

The following directors and officers are the direct/indirect owners of the Registrant's shares as indicated opposite their names as of September 30, 2020:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership			Citizenship	Percent of Ownership
		Shares	Amount	Nature		

Common	Roberto V. San Jose Director/Chairman of the Board	600	P 600	Direct	Filipino	0
Common	Esteban G. Peña Sy Director/President	353,299,813	353,299,813	Direct & Indirect	Filipino	29.44
Common	Delfin P. Angcao Corp. Secretary	641	641	Direct	Filipino	0
Common	Rodrigo B. Supaña Director	50	50	Direct	Filipino	0
Common	Steven G. Virata Director	100	100	Direct	Filipino	0
Common	Anselm Wong Director	50	50	Direct	Malaysian	0
Common	Gloria Georgia G. Garcia SVP/Treasurer and CFO	50	50	Direct	Filipino	0
Common	Ana Maria A. Katigbak-Lim Director/Asst. Corp. Secretary	50	50	Direct	Filipino	0
Common	Yang Min Lan Director	50	50	Direct	Taiwanese	0
TOTAL		353,301,404	353,301,404			29.44

(3) Voting Trust Holders of 5% or more

Registrant is not aware of any person holding more than 5% of the shares of Registrant under a voting trust or similar agreement.

(4) Changes in Control

There has been no change in control of the Registrant since the beginning of its last fiscal year. Neither is Registrant aware of any arrangement which may result in a change in control of it.

**Item 5. Directors and Executive Officers**

- (a) The names, ages, terms of office, business experience for the last five years, directorship in other companies of the directors and executive officers of the Registrant are as follows:

**Atty. Roberto V. San Jose, Director, Chairman of the Board** - Mr. San Jose, 78, Filipino, was elected Chairman of the Board in 2003, or for more than 17 years now. He has been a member of the Board of Directors as early as 1991, or for more than 29 years now. He received his Bachelor of Arts degree from De La Salle University and his Law degree from the University of the Philippines. He is a member of the Philippine Bar and a Special Counsel in the Castillo Laman Tan Pantaleon & San Jose Law Offices. In addition to serving as Director and Chairman of the Board for the Company, he serves as Director, Officer and/or Corporate Secretary of Anglo Philippine Holdings Corporation, CP Equities Corporation, Atlas Resources Management Group, MAA Consultants, Inc. and several other companies. He is also the Corporate Secretary of Premiere Horizon Alliance Corporation, Marcventures Holdings, Inc., Solid Group Inc., FMF Development Corporation, Beneficial Life Insurance Co., Inc., and other client corporations of the Castillo Laman Tan Pantaleon & San Jose Law Offices.

**Esteban G. Peña Sy, Director and President - Esteban G. Peña Sy, Director and President** - Mr. Peña Sy, 72, Filipino, was elected Director and President on November 1, 2006 and has served as such for more than 14 years now. He graduated from the University of the Philippines in 1968 with a degree of A.B. Economics and completed the Program for Management Development at Harvard Business School in 1982. He is a Director and President of Philippine Plaza Holdings, Inc., owner of Sofitel Philippine Plaza. His previous work experience includes management positions in the Bank of the Philippine Islands and Ayala International. He was Managing Director of AI Financial Services, Ltd. and was accredited by the Hong Kong Securities & Futures Commission as an Investment Adviser. He was also the Managing Director of Pan Asian Management Ltd., a management and investment consultancy firm based in Hong Kong, and Pan Asian Oasis Telecom Ltd. that operated joint venture factories engaged in the manufacturing of communication and fiber optic cables in China. In his earlier career, he served as a Lecturer at the University of the Philippines, Assistant Secretary General and Executive Director of the Federation of Filipino-Chinese Chambers of Commerce and Industry. He served as a member of the Senior Advisory Board of the AFP Command and General Staff College from 2016-17. Currently he sits in the board of the Philippine Hotel Owners Association.

**Atty. Delfin P. Angcao, Corporate Secretary** - He holds the position since 1995, or for more than 24 years now. He was a director from 1995 until September 2010. A partner at the Castillo Laman Tan Pantaleon & San Jose Law Offices (CLTPSJ) since the year 2000. He was a junior associate with CLTPSJ from 1995 to 1997. He climbed up to being a Senior Associate from 1997 to 2000. He was a former associate at the San Jose, Enriquez, Lacas, Santos, Borje & Vendero from 1992 to 1995. His other business experience in the last 5 years are as follows: director and/or Corporate/Asst. Corporate Secretary of various client corporations of CLTPSJ including The Manila Southwoods Golf & Country Club, Inc. and IRC Properties, Inc. He is a member of the Integrated Bar of the Philippines and the Philippine Institute of Certified Public Accountants. Attorney Angcao, a Filipino, is 62 years old.

**Atty. Ana Maria Katigbak-Lim, Director and Assistant Corporate Secretary** – She holds the position of Assistant Corporate Secretary since 1999, or for more than 20 years now. She held the position of a director for seven years, or from 1999 to October 31, 2006, and then again for more than 9 years, or from June 27, 2007 up to the present. A member of the Integrated Bar of the Philippines and a graduate of Bachelor of Laws and Bachelor of Arts in Comparative Literature (Cum Laude) at the University of the Philippines, she is currently a partner at the Castillo Laman Tan Pantaleon & San Jose Law Offices. Her other business

experience in the last 5 years are as follows: assistant corporate secretary of publicly-listed companies and registered membership clubs such as: Boulevard Holdings, Inc., Premier Entertainment Productions, Inc., Solid Group, Inc., The Metropolitan Club, Inc., AJO.net Holdings, Inc. and PhilWeb.Corporation. She is also a lecturer at the Thames International Business School, Philippine Campus. Atty. Katigbak, a Filipino, is 51 years old.

**Anselm Wong, Director** - Mr. Anselm Wong has been elected as director since January 12, 2017. He is the Chief Operating Officer of Asia Development Capital Co., Ltd. (formerly Asia Alliance Holdings Co., Ltd., a company listed in The Tokyo Stock Exchange since June 2015). Mr. Wong, a Malaysian citizen, is 35 years old.

**Yang Min Lan, Director** - Mr. Yang, aged 42, received a Doctor's Degree in Engineering from The National Yunlin University of Science and Technology in Taiwan in 2009. Mr. Yang has been a member of Taiwan Certified Public Technician of higher examination for civil since 2008. He is also a member of the Taiwan Professional Civil Engineers Association. He has been involved in varied construction projects in Taiwan in the development of roads, bridges, buildings, and especially in hotel and residential development. He also taught in Chienkuo Technology University. Presently, Mr. Yang is Chairman and Director of Lan Hai Co. Ltd., a construction consulting company since August 2015. Mr. Yang has been elected as Director since April 11, 2018.

**Rodrigo B. Supeña, Independent Director** - Mr. Rodrigo B. Supeña has been elected as Independent Director of the Company since March 31, 2009, and has served as such for more than 9 years now. Mr. Supeña, a seasoned banker who previously held various key positions in Land Bank of the Philippines, Bank of the Philippine Islands and LBP Leasing Corporation. Mr. Supeña, a Filipino, is 80 years old.

**Steven Gamboa Virata, Independent Director** – He joined the Company in 2001 and has served as such for more than 17 years now. A degree holder of B.S. Architecture from the University of the Philippines, he has more than 10 years experience in the aviation industry, marketing, architecture, graphic design and production, theater industry and farm management. His other business experiences in the last 5 years are as follows: currently, he is a Director of C. Virata and Associates, ATAR-IV, Inc., Chilco Holdings Inc., and V.L. Araneta Properties, Inc. He was elected last year and is nominated this year, as an independent director. Mr. Virata, a Filipino, is 62 years old.

Messrs. Rodrigo B. Supeña and Steven G. Virata were elected as the Company's independent directors at the last annual stockholders' meeting held on September 24, 2019.

**Gloria Georgia G. Garcia, Corporate Treasurer & Chief Financial Officer** – A Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants, Ms. Garcia started her career with SGV & Co. Her work experience included more than three years as a junior auditor with the firm. Thereafter, she had few years in the recreation, gaming and hotel industries and more than twenty years in the real estate industry up to present. Ms. Garcia, a Filipino, is 50 years old.

All the directors and executive officers named above were elected to their positions for a term of one year and to serve as such until their successors are elected and qualified. Except for Mr. Yang Min Lan who has indicated that he declines to be nominated for re-election as director for personal reasons, all of them are expected to be nominated for re-election during this year's annual stockholders' meeting and the organizational board meeting that will follow after said annual stockholders' meeting. As replacement for Mr. Yang Min Lan who declines to be nominated for re-election as director as mentioned above, Gen. Rodolfo D. Santiago will be nominated as Independent Director at this year's annual stockholders' meeting. Gen. Santiago's profile is shown below:

**Rodolfo D. Santiago, to be nominated as Independent Director** - Retired Major General Rodolfo D. Santiago, Filipino, 60, is a graduate of the Philippine Military Academy, Class of 1982. He has more than 38 years of military service holding various positions in several specialized fields. He held command and staff positions of major importance in the fields of military communications, intelligence, civil military operations and infantry operations. He capped his military career as an educator serving as the 54th Commandant of the Armed Forces of the Philippines Command and General Staff College. He completed his 15-year intelligence career serving as a Commander of the Defense Intelligence and Security Group. His civil-military operations stint was topped by being designated as the Assistant Deputy Chief of Staff for Civil-Military Operations, J7 (AJ7). He also led the AFP in disaster response operations, training and education. He is currently serving as Chief Technology Officer of Dito Telecommunity Corporation and as a member of the Board of Advisers of the Tech Peace, Build Peace Movement. He works as an independent consultant of the Department of Education since January 2017 dealing largely with other stakeholders, disaster resiliency, peace education and schools in conflict areas. He is also a research consultant of Ateneo de Manila University on disaster resiliency since May 2017. Maj. Gen. Santiago served as an Independent Director of Philippine Infradev Holdings, Inc. from Aug. 17, 2017 to May 21, 2020.

No director of the Company has resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Except for the above-named directors and officers, the Registrant has no "significant employees" (as the term is defined under the SRC and its implementing rules and regulations).

(b) Independent Directors/Corporate Governance Committee

In compliance with SRC Rule 38 which provides for the guidelines on the nomination and election of independent directors, a Corporate Governance Committee which performs the functions of the erstwhile Nomination Committee has been created with the following as members:

- |                              |   |                                |
|------------------------------|---|--------------------------------|
| 1. Steven G. Virata          | - | Chairman, Independent Director |
| 2. Rodrigo B. Supeña         | - | Member, Independent Director   |
| 3. Roberto V. San Jose       | - | Member                         |
| 1. Anselm Wong               | - | Member                         |
| 5. Ana Maria A. Katigbak-Lim | - | Member                         |

Under the Company's New Manual of Corporate Governance, the members of the Nomination Committee shall consist of at least three independent directors<sup>1</sup>, one of whom shall be the Chairman thereof. The Corporate Governance Committee was tasked to accept and to pre-screen nominees for election as independent directors conformably with the criteria prescribed in the said SEC Memo Circular and the Company's Code of Corporate Governance, and to prepare and to make available to the SEC and the stockholders before the stockholders' meeting a Final List of Candidates as required in the said SEC Memo Circular.

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<sup>1</sup> Presently, the Registrant has only two independent directors.

In compliance with SRC Rule 38, hereunder is the Final List of Candidates for Independent Directors of Mabuhay Holdings Corporation for the term 2020-2021 based on nominations received and pre-screened by the Nomination Committee:

Name of Candidate	Nominated By
Mr. Rodrigo B. Supeña	Mr. Esteban G. Peña Sy
Mr. Steven G. Virata	Mr. Esteban G. Peña Sy
Gen. Rodolfo D. Santiago	Mr. Esteban G. Peña Sy

Mr. Peña Sy, presently a stockholder and the incumbent President of Mabuhay Holdings Corporation, is not related to any of his above-mentioned nominees.

Information about said candidates as required under Part IV (A) and (C) of Annex "C" of SRC Rule 12 are as contained in this item 5.

To comply with the Securities and Exchange Commission (SEC) Memorandum Circular No. 5 which became effective March 10, 2017, the company submits herewith the Certificates of Qualification of the independent directors in the form prescribed by the SEC. The term limits of the independent directors shall be in accordance with SEC Memorandum Circular No. 9, Series of 2011, which became effective beginning January 2, 2012. The term limits of the independent directors shall be for a maximum cumulative term of nine (9) years in accordance with SEC Memorandum Circular No. 4, Series of 2017, which became effective March 9, 2017. The reckoning date of the cumulative nine-year term is from 2012.

The stockholders and the board of directors of the Company have on May 20, 2008 duly approved to amend the Company's By-Laws by inserting a new provision therein relating to the procedure on nomination and election of independent directors as required under SRC Rule 38 of the Implementing Rules and Regulations of the Securities Regulations Code.

(c) Significant Employees

Aside from those listed above, the Company has no other executive officers or certain key personnel who are deemed to make significant contribution to the business.

(d) Family Relationships

No director or officer is related to the extent of the fourth civil degree either by consanguinity or affinity.

(e) Involvement in Certain Legal Proceedings

None of the directors and officers of the Company was involved, in the past five years up to the latest date, in any bankruptcy proceeding. Neither have they been during the same period convicted by final judgment in any criminal proceeding, nor been subject to any order, judgment or decree of competent jurisdiction, permanently enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in action by any court or administrative body to have violated a securities or commodities law that are material to their evaluation as to their fitness for their respective positions.

The Company and its consolidated subsidiaries/affiliates are parties to various legal actions or proceedings. However, in the opinion of management, the ultimate liability, if any, resulting from these actions or proceedings, will not have a material effect on the Company's financial position.

(f) Certain Relationship and Related Transactions

During the last two (2) years, there had been no transaction or proposed transaction between the Registrant, on one hand, and its directors, nominees as director, record or beneficial shareholders, management, or members of their immediate family, on the other.

There are no related party transactions other than those presented in Note 16 of the Notes to the Consolidated Financial Statements as of December 31, 2019, a copy of which is hereto attached.

No other transaction was undertaken by the Company in which any Director or Executive Officer was involved or had a direct or indirect material interest.

**Item 6. Compensation of Directors and Executive Officers**

(a) Summary Compensation Table

The annual compensation of the Company's President and three most highly compensated executive officers for the last two (2) fiscal years and the estimate for the ensuing year 2020 are as follows:

Name	Position	Year	Salary	Bonus	Other Annual Compensation
Roberto V. San Jose	Chairman of the Board				
Esteban G. Peña Sy	President				
Delfin P. Angcao	Corporate Secretary				
Gloria Georgia G. Garcia	Treasurer				
Aggregate compensation (all key officers and directors as a group)		2020 (estimated)	P4.8 million	None	None
Note: Registrant has no other executive officers except those named above.		2019	P4.7 million	None	None
		2018	P4.7 million	None	None



Each director receives a per diem of P5,000.00 for each board meeting attended.

(b) Compensation of Directors

Directors receiving compensation were either employed as officers of the Registrant receiving fixed monthly salary or receiving reimbursement of representation expenses incurred from time to time.

Executive officers employed by the Registrant, receiving fixed monthly salary (*see table above*) are Mr. Esteban G. Peña Sy and Ms. Gloria Georgia G. Garcia.

(c) Employment Contracts and Termination of Employment and Change-in-Control Arrangement

There were no employment contracts, termination of employment, or any arrangement that resulted or may result in a change of control of the Registrant.

(d) Warrants and Options Outstanding

There are no outstanding warrants or options held by the Company's executive officers and directors as a group.

**Item 7. Independent Public Accountants**

The Registrant's external auditor, Isla, Lipana & Co. has been re-appointed during last year's annual stockholders' meeting held on September 24, 2019. The name of Isla, Lipana & Co.'s partner-in-charge for the ensuing year will be known on or before its re-appointment during the stockholders' meeting. The engagement partner for the year 2019 is Ms. Imelda Ronnie de Guzman-Castro.

There were no disagreements with the said Auditors with respect to accounting principles and practices, financial disclosures, or auditing scope or procedures. As in the previous years, representatives of the Registrant's auditors are expected to be present at this year's annual stockholders' meeting, available to respond to questions that may be asked by the stockholders. The said auditors will have the opportunity to make a statement if they desire to do so.

(a) Audit and Audit-Related Fees

The external auditors charged the Company and its subsidiaries an aggregate amount of P1.08M for the last two (2) calendar years ending December 31, 2019 and 2018. The Company is in compliance with SRC Rule 68, Paragraph 3(b)(ix) which requires the rotation of external auditors or their signing partners, including the 2-year cooling off period requirement in case of their re-engagement.

There are no other fees billed for the last two (2) years for assurance and related services rendered by the external auditors.

(b) Tax Fees

There were routine professional services rendered by the external auditors for tax accounting, compliance, advice, planning and any other form of tax services in each of the last two (2) calendar years ending December 31, 2019 and 2018. The fees for these services are included in the Audit and Audit-Related Fees mentioned above.

Tax consultancy services are secured from entities other than the external auditors.

(c) All Other Fees

There were no other fees billed for the last two (2) years for other professional services rendered by the external auditors during the period.

(d) Company Policy on Appointment of Independent Auditor

The President, SVP/Treasurer and CFO and the Audit & Related Party Transactions Committee recommend to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. The Board of Directors approves the recommendation for the appointment of the external auditor subject to approval/ratification by the stockholders at the annual stockholders' meeting.

The present members of the Audit & Related Party Transactions Committee of the Company are as follows:

Rodrigo B. Supeña	-	Chairman (Independent Director)
Steven G. Virata	-	Member (Independent Director)
Yang Min Lan	-	Member
Ana Maria Katigbak-Lim	-	Member
Gloria Georgia G. Garcia	-	Non-voting Member

**D. OTHER MATTERS**

**Item 15. Action with Respect to Reports**

- (a) Approval of the minutes of the 2019 annual stockholders' meeting
- (b) Approval of annual report of management and 2019 financial statements

Approval of the minutes of the 2019 annual stockholders' meeting will constitute a ratification of the accuracy and faithfulness of the record therein of the events that transpired during the said meeting. Among the matters taken up during the 2019 annual stockholders' meeting and reflected in the minutes thereof were the following: (a) approval of the minutes of the 2018 annual meeting; (b) approval of the 2018 management report and annual financial statements; (c) ratification of corporate acts; (d) election of directors; and (e) appointment of external auditors. This will not constitute a second approval of the same matters that were already taken up and approved during the said meeting. Approval of the annual report of management and 2019 financial statements will constitute a ratification of the Company's performance during the preceding year as contained or reflected in said annual report and financial statements.

Among the acts and resolutions of the board and management for which ratification by the stockholders will be sought are the following: (a) election of the officers and corporate governance committee members for the term 2019-2020; (b) resignation of a director and an officer (which was not due to any disagreement with the Company) and election of their replacements; and (c) setting the date of the 2020 annual stockholders' meeting and its record date.

**Item 18. Other Proposed Actions**

- (a) Ratification of resolutions, contracts and acts of the board of directors and management
- (b) Election of directors
- (c) Appointment of external auditors

Resolutions, contracts and acts of the board of directors and management for ratification refer to those passed or undertaken by them during the year and for the day to day operations of the Company as contained or reflected in the annual report and financial statements. These included the election of officers, composition of corporate governance committees and appointment of external auditors as previously disclosed to the Securities and Exchange Commission and the Philippine Stock Exchange. The summary of the resolutions, contracts and acts to be ratified may be found in Annex "A" hereof.

**Item 19. Voting Procedures**

The vote required for acts requiring stockholders' approval is majority of stocks present in a quorum, unless the law provides otherwise. In the election of directors, however, the seven (7) nominees obtaining the highest number of votes in accordance with the provisions of the Corporation Code, shall be proclaimed the directors.

Casting of votes will be done *in absentia* or by proxy as described in the attached Guidelines and Procedures for Participating *via* Remote Communication and Voting *in Absentia*. Votes cast during the annual stockholders' meeting shall be counted by the Corporate Secretary.

**ACCOMPANYING THIS INFORMATION STATEMENT IS A COPY OF THE NOTICE OF THE ANNUAL STOCKHOLDERS' MEETING CONTAINING THE AGENDA THEREOF, AS WELL AS A COPY OF THE REGISTRANT'S MANAGEMENT REPORT AS REQUIRED UNDER SRC RULE 20 (4), AS AMENDED, THE COMPANY'S ANNUAL REPORT IN SEC FORM 17-A AND QUARTERLY REPORT FOR THE 2<sup>ND</sup> QUARTER OF 2020 IN SEC FORM 17-Q.**

**REQUESTS FOR HARD COPIES OF THE FOREGOING DOCUMENTS MAY BE SENT TO [admin@mabuhayholdingscorp.com](mailto:admin@mabuhayholdingscorp.com).**

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on October 12, 2020.

**MABUHAY HOLDINGS CORPORATION**

Registrant

By:



DELFIN P. ANGCAO  
Corporate Secretary

# **MABUHAY HOLDINGS CORPORATION**

## **MANAGEMENT REPORT Pursuant to SRC Rule 20 (4)**

### **For the 2019 Annual Stockholders' Meeting**

#### ***A. AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2019 AND June 30, 2020 INTERIM FINANCIAL STATEMENTS***

Registrant's audited consolidated financial statements for the fiscal year ended December 31, 2019 and interim financial statements for the period ended June 30, 2020 are attached.

#### ***B. INDEPENDENT PUBLIC ACCOUNTANTS***

The Registrant's external auditor, Isla, Lipana & Co. has been re-appointed during last year's annual stockholders' meeting held on September 24, 2019. The name of Isla, Lipana & Co.'s partner-in-charge for the ensuing year will be known on or before its re-appointment during the stockholders' meeting.

There were no disagreements with the said Auditors with respect to accounting principles and practices, financial disclosures, or auditing scope or procedures. As in the previous years, representatives of the Registrant's auditors are expected to be present at this year's annual stockholders' meeting, available to respond to questions that may be asked by the stockholders. The said auditors will have the opportunity to make a statement if they desire to do so.

##### **(a) Audit and Audit-Related Fees**

The external auditors charged the Company and its subsidiaries an aggregate amount of P1.08M for the last two (2) calendar years ending December 31, 2019 and 2018. The Company is in compliance with SRC Rule 68, Paragraph 3(b)(ix) which requires the rotation of external auditors or their signing partners, including the 2 year cooling off period requirement in case of their re-engagement.

There are no other fees billed for the the last two (2) years for assurance and related services rendered by the external auditors.

##### **(b) Tax Fees**

There were routine professional services rendered by the external auditors for tax accounting, compliance, advice, planning and any other form of tax services in each of the last two (2) calendar years ending December 31, 2019 and 2018. The fees for these services are included in the Audit and Audit-Related Fees mentioned above.

Tax consultancy services are secured from entities other than the external auditors.

##### **(c) All Other Fees**

There were no other fees billed for the last two (2) years for other professional services rendered by the external auditors.

(d) Company Policy on Appointment of Independent Auditor

The President, SVP/Treasurer and CFO and the Audit Committee recommend to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. The Board of Directors approves the recommendation for the appointment of the external auditor subject to approval/ratification by the stockholders at the annual stockholders' meeting.

The present members of the Audit Committee of the Company are as follows:

Rodrigo B. Supeña	-	Chairman (Independent Director)
Steven G. Virata	-	Member (Independent Director)
Yang Min Lan	-	Member
Ana Maria Katigbak-Lim	-	Member
Gloria Georgia G. Garcia	-	Non-voting Member

**C. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS**

The following discussion should be read in conjunction with the Consolidated Financial Statements of the Registrant that are incorporated to this Report by reference. Such Consolidated Financial Statements have been prepared in accordance with Philippine Financial Reporting Standards.

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, Inc.) (PIHI), by assisting it to secure funding for its residential development projects in its Binangonan property. These projects of PIHI are expected to generate significant amount of sustainable income stream and operating cash flows to the Group.

After the Group sold a significant part of its shareholdings in PIHI in 2018, it plans to concentrate on the acquisition of properties for rental purposes 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 with its foreign business partners. Among the Group's short-term and long-term plans are: (a) to acquire developed properties with the intention of converting the properties for lease operations; (b) to acquire properties for development and to convert these properties for leases; (c) to acquire properties for development of affordable housing units as part of its corporate social responsibility to contribute to the housing requirements of the country; (d) to continue to retain its substantial remaining shares of stocks in PIHI for appreciation and eventual cash flows from future dividend declarations; and (e) to continue to retain its investment properties for appreciation, and to plan for possible development of the prime properties.

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

The above plans will contribute to improve the results of operation of the Group in the following years.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price 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.

The 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 impacts on the Group's financial performance due to the unpredictability of financial markets.

The Company's equity position is in compliance with the minimum statutory requirements applicable to public companies. Given the very limited operating activities undertaken by the Group, it does not require intensive capitalization. The Group's main objective is to ensure it has adequate capital moving forward to pursue its land disposal plans at optimum gain.

Other than its gear towards opening projects on affordable housing, the Group does not anticipate other heavy requirement for working capital in 2020.

#### Impact of COVID-19 Pandemic

In March 2020, the Philippine Government declared a community quarantine in several areas that has resulted in significant disruptions in the local business operations and trading activities in the Philippine stock exchange. The Company has suspended its normal operations based on the quarantine guidelines. To-date, the Company has resumed operations at approved capacity in accordance with quarantine guidelines.

The Group has significant investments in traded equity instruments classified as financial assets at fair value through profit or loss. The market values of these traded equity instruments have been heavily affected by the pandemic as shown by the decline from December 31, 2019 valuation (or from P224.28 million as of December 31, 2019 to P148.94 million as of June 30, 2020 consolidated financial statements). While the pandemic will have a negative impact on the Company, management is of the opinion that the Company's cash flows will continue to satisfy the Company's current working capital requirements.

## SECOND QUARTER ENDED JUNE 30, 2020

### Results of Financial Operations

#### January to June 2020 compared with January to June 2018

	Six Months Ended June 30		Increase (Decrease)	%
	2019	2019		
Income	3,309,109	4,255,387	(946,278)	(22.24%)
Expenses	83,512,919	78,789,120	4,723,799	6.00%
Finance Income (Cost)	1,368,378	12,219,326	(10,850,948)	(88.80%)
Net Income (loss)	(78,901,338)	(62,991,585)	(15,909,753)	25.26%

A comparative review of the Registrant's financial operations for the six-month period ended June 30, 2020 vis-à-vis the same period of prior year showed the following:

For the six-month period ended June 30, 2020, total income decreased by P946k or 22.24% mainly due to gain on disposal of assets in 2019 as compared to none in 2020. Rental income is lower by P595k in 2020. From P1.25/share as of December 31, 2019, the market price of the Company's investment in PIHI shares declined to P0.82/share as of June 30, 2020. This resulted in the recognition of unrealized loss on revaluation of securities of P75.3 million as of June 30, 2020 as shown in the consolidated statements of total comprehensive income.

Total expenses increased by P4.7 million or 6% mainly due to the unrealized loss on revaluation of securities. Net Finance Income (Costs) decreased by P10.85M mainly due to interest income on notes receivables from PIHI as an effect of the settlement as discussed in Note 4 to the Consolidated Financial Statements. Foreign exchange losses registered at P96k in 2020 as compared to P146k in 2019.

Net loss before income taxes registered at P78.8 million for the first two quarters of 2020 as compared to P62.3 million in 2019. Net loss after income taxes registered at P78.9 million and P62.99 million for 2020 and 2019, respectively.

#### April to June 2020 compared with April to June 2019

	Three Months Ended June 30		Increase (Decrease)	%
	2020	2019		
Income	26,304,313	30,990,384	(4,686,071)	(15.12%)
Expenses	2,842,689	5,538,623	(2,695,934)	(48.68%)
Finance Income (Cost)	167,174	5,893,395	(5,726,221)	(97.16%)
Net Income	23,602,469	30,925,473	(7,323,004)	(23.68%)

For the quarter April to June 2020, the market price of PIHI shares slightly recovered and improved, from P0.68/share as of March 31, 2020 to P0.82/share as of June 30, 2020. Hence, the unrealized loss of P100.3 million recognized for the first quarter is offset by an unrealized gain of P25 million in the second quarter, or a net unrealized loss of P75.3 million as of June 30, 2020. There are no finance costs in the second quarter of 2020 other than foreign exchange losses. This resulted to a net income of P23.6 million for the period April to June 2020.

There is no significant element of income that did not arise from the Registrant's continuing operations, neither is the Company's operations affected by any seasonality or cyclical trends.

#### Financial Position

	June 30, 2020	December 31, 2019	Increase (Decrease)	%
	(Unaudited)	(Audited)		
Current Assets	392,929,106	473,087,346	(80,158,240)	(16.94%)
Non-current Assets	468,327,985	468,564,732	(236,747)	(0.05%)

Total Assets	861,257,091	941,652,078	(80,394,987)	(8.54%)
Current Liabilities	275,851,817	277,345,466	(1,493,649)	(0.54%)
Non-current Liabilities	171,145,508	171,145,508	0	0.00%
Equity	414,259,766	493,161,104	(78,901,338)	(16.00%)

### Explanation to Accounts with Material Variance (June 2020 vs. December 2019)

#### Current Assets

**Cash** amounted to P235.7 million as of June 30, 2020 as compared to P181.6 million as of December 31, 2019, or an increase of 30% or P54.1 million mainly due to collection of notes receivables from PIHI net of cash used for working capital.

**Financial assets at fair value through profit or loss** amounted to P148.9 million as of June 30, 2020 as compared to P224.3 million as of December 31, 2019, or a decrease of 34% or P75.3 million mainly due to the decline in fair value of the Group's remaining investments in PIHI shares from P1.25/share as of December 2019 to P0.82/share as of June 2020.

**Notes receivables** amounted to P-nil as of June 30, 2020 as compared to P60 million as of December 31, 2019, or a decrease of P60 million due to collection in full of the notes receivables. Please refer to discussion in Note 4 to the Consolidated Financial Statements.

**Other current assets** amounted to P8.3 million as of June 30, 2020 as compared to P7.2 million as of December 31, 2019, or an increase of 15% or P1.1 million mainly due to prepayments and rent receivables.

#### Non-Current Assets

**Property and equipment, net** amounted to P1.3 million as of June 30, 2020 as compared to P1.6 million as of December 31, 2019, or a decrease of 15% or P237k mainly due to depreciation charges for the first two quarters.

#### Current Liabilities

**Accounts payable and other current liabilities** amounted to P10.8 million as of June 30, 2020 as compared to P12.2 million as of December 31, 2019, or a decrease of 12% or P1.5 million mainly due to remittances and payments.

#### Equity

**Retained Earnings (Deficit)** amounted to (P662.3 million) as of June 30, 2020 and (P587.2 million) as of December 31, 2019, or an increase in Deficit of P75.1 million attributable to share in net loss of shareholders of the Parent Company for the period.

### FIRST QUARTER ENDED MARCH 31, 2020

#### Results of Financial Operations

#### January to March 2019 compared with January to March 2018

	Three Months Ended March 31		
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	<b>2020</b>	<b>2019</b>	<b>Increase (Decrease)</b>	<b>%</b>
Income	1,955,842	2,263,506	(307,664)	(13.59%)
Expenses	105,621,276	102,249,000	3,372,276	3.30%
Finance Income (Cost)	1,201,204	6,325,931	(5,124,727)	(81.01%)
Net Income (loss)	(102,503,807)	(93,917,058)	(8,586,749)	9.14%

A comparative review of the Registrant's financial operations for the quarter ended March 31, 2020 vis-à-vis the same period of prior year showed the following:

Total Income decreased by P308k or 14% mainly due to gain on disposal of assets in 2019 as compared to none in 2020. Total expenses increased by P4.6 million or 5% mainly due to the unrealized loss on revaluation of securities. Total Finance Income (Costs) decreased by P5.1 million mainly due to interest income on notes receivables from PIHI as an effect of the settlement as discussed in Note 4 to the Consolidated Financial Statements. There were foreign exchange gains realized in 2020 as compared to losses in 2019.

Net loss before income taxes registered at P102.46 million for the first quarter of 2020 and net loss for the year registered at P102.5 million after income tax provision.

There is no significant element of income that did not arise from the Registrant's continuing operations, neither is the Company's operations affected by any seasonality or cyclical trends.

#### **Financial Position**

	<b>March 31, 2020</b>	<b>December 31, 2019</b>		
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>Increase (Decrease)</b>	<b>%</b>
Current Assets	369,773,132	473,087,346	(103,314,214)	(21.84%)
Non-current Assets	468,446,360	468,564,732	(118,372)	(0.03%)
Total Assets	838,219,492	941,652,078	(103,432,586)	(10.98%)
Current Liabilities	276,416,687	277,345,466	(928,779)	(0.33%)
Non-current Liabilities	171,145,508	171,145,508	0	0.00%
Equity	390,657,297	493,161,104	(102,503,807)	(20.79%)

#### **Explanation to Accounts with Material Variance (March 2020 vs. December 2019)**

##### **Current Assets**

**Cash** amounted to P178.3 million as of March 31, 2020 as compared to P181.6 million as of December 31, 2019, or a decrease of 1.8% or P3.3 million mainly due to additional investments in securities.

**Financial assets at fair value through profit or loss** amounted to P124 million as of March 31, 2020 as compared to P224.3 million as of December 31, 2019, or a decrease of 45% or P100.3 million mainly due to the decline in fair value of the Group's remaining investments in PIHI shares from P1.25/share as of December 2019 to P0.68/share as of March 2020.

**Notes receivables** amounted to P60 million as of March 31, 2020 and 2019. No movement during the period. Please refer to discussion in Note 4 to the Consolidated Financial Statements.

**Other current assets** amounted to P7.45 million as of March 31, 2020 as compared to P7.2 million as of December 31, 2019, or an increase of 4% or P271k mainly due to prepayments and rent receivables.

#### **Non-Current Assets**

**Property and equipment, net** amounted to P1.5 million as of March 31, 2020 as compared to P1.6 million as of December 31, 2019, or a decrease of 8% or P118k mainly due to depreciation charges for the first quarter.

#### **Current Liabilities**

**Accounts payable and other current liabilities** amounted to P11.3 million as of March 31, 2020 as compared to P12.3 million as of December 31, 2019, or a decrease of 7% or P912k mainly due to payment/remittances.

#### **Equity**

**Retained Earnings (Deficit)** amounted to (P685.1 million) as of March 31, 2020 as compared to (P587.2 million) as of December 31, 2019, or an increase in deficit of P98 million attributable to share in net loss of shareholders of the Parent Company for the period.

### **FULL FISCAL YEARS**

#### **YEAR 2019**

#### **Results of Financial Operations**

##### **January to December 2019 compared with January to December 2018**

	Years Ended December 31		Increase (Decrease)	%
	2019	2018		
Income	80,207,974	94,389,874	(14,181,900)	(15.02%)
Expenses	258,203,451	525,218,138	(267,014,687)	(50.84%)
Finance Income (Cost)	23,134,083	(6,660,631)	29,794,714	(447.33%)
Net Income (Loss)	(205,019,129)	(460,376,246)	255,357,117	(55.47%)

A comparative review of the Registrant's financial operations for the period ended **December 31, 2019** vis-à-vis the same period last year showed the following:

Total income decreased by P14.2 million or 15.02% mainly due to other income which registered at P22 million in 2018 as compared to P5.4 million in 2019. Total expenses decreased by P267 million or 50.84% mainly due to the one-time effect of the loss on disposal of investment in an associate, Philippine Infradev Holdings, Inc. (formerly IRC Properties, Inc.) (PIHI) in 2018 offset by an increase in unrealized loss on revaluation of securities of P83.1 million in 2019. Net finance income registered at P23.1 million with no finance costs in 2019 as compared to P6.66 million in 2018. Interest income increased by P3.3 million offset by decrease in finance costs of P20.97 million in 2019 and decrease in net foreign exchange loss of P5.5 million.

Share in net earnings of IRC registered at P7.5 million for the 1st quarter of 2018 prior to the disposal of part of shareholdings and P6.8 million in 2017.

Net loss before income taxes registered at P154.86 million for 2019 and net loss for the year registered at P205.02 million after income tax provision.

There is no significant element of income that did not arise from the Registrant's continuing operations. Neither is the Company's operations affected by any seasonality or cyclical trends.

### Financial Position

	As of December 31		Increase (Decrease)	%
	2019	2018		
Current Assets	473,087,346	700,729,103	(227,641,757)	(32.49%)
Non-current Assets	468,564,732	402,601,546	65,963,186	16.38%
Total Assets	941,652,078	1,103,330,649	(161,678,571)	(14.65%)
Current Liabilities	277,345,466	284,422,791	(7,077,325)	(2.49%)
Non-current Liabilities	171,145,508	120,727,625	50,417,883	41.76%
Equity	493,161,104	698,180,233	(205,019,129)	(29.36%)

### Explanation to Accounts with Material Variance (December 2019 vs. December 2018)

#### Current Assets

**Cash** amounted to P181.6 million as of December 31, 2019 as compared to P193.312 million as of December 31, 2018, or a decrease of P11.7 million or 6% mainly due to additional investments in financial assets and used for working capital.

**Financial assets at fair value through profit or loss** amounted to P224.3 million as of December 31, 2019 as compared to P392.937 million as of December 31, 2018, or a decrease of P168.7 million or 43% mainly due to the decline in fair value of the Group's remaining investments in PIHI shares from P2.25/share in 2018 to P1.25/share in 2019.

**Notes receivables** amounted to P60 million as of December 31, 2019 as compared to P104.1 million as of December 31, 2018, or a decrease of P44.1 million or 42% mainly due to the amounts written-off after a final settlement agreement with PIHI as discussed in Note 4 to the Consolidated Financial Statements.

#### Non-Current Assets

**Property and equipment, net** amounted to P1.6 million as of December 31, 2019 as compared to P2.3 million as of December 31, 2018, or a decrease of P0.76 million or 33% mainly due to charges for depreciation.

**Investment properties** amounted to P466.995 million as of December 31, 2019 as compared to P400.27 million as of December 31, 2018, or an increase of P66.73 million or 17% due to gain on fair value as a result of the appraisal of the properties.

#### Current Liabilities

**Borrowings** amounted to P13.625 million as of December 31, 2019 and 2018. No movement in borrowings during the year.

**Accounts payable and other current liabilities** amounted to P12.254 million as of December 31, 2018 as compared to P42.290 million as of December 31, 2017, or a decrease of P23.04 million or 54.47% largely due to repayment of accrued interest on borrowings.

#### Non-Current Liabilities

**Deferred income tax liabilities, net** amounted to P118.846 million as of December 31, 2018 as compared to P89.210 million as of December 31, 2017, or an increase of P29.7 million or 33.2% due mainly to the tax effect of unrealized gain on fair value change in investment property.

#### Equity

**Retained Earnings (Deficit)** amounted to (P372.021 million) as of December 31, 2018 and P103.404 million as of December 31, 2017, or an increase in Deficit of P475.424 million attributed mainly to the net loss incurred by the company as a result of the reclassification of the disposal of the investment in an associate .

#### YEAR 2018

#### Results of Financial Operations

#### January to December 2018 compared with January to December 2017

	Years Ended December 31		Increase (Decrease)	%
	2018	2017		
Income	94,389,874	22,489,617	71,900,257	319.70%
Expenses	525,218,138	16,311,616	508,906,522	3,119.90%
Finance Income (Cost)	(6,660,631)	15,411,748	(22,072,379)	(143.22%)
Net Income (Loss)	(460,376,246)	23,549,961	(483,926,207)	(2,054.89%)

A comparative review of the Registrant's financial operations for the period ended **December 31, 2018** vis-à-vis the same period last year showed the following:

Total Income increased by P71.9 million or 319.7% mainly due to gains realized on the change in fair value of investment properties. Total operating expenses likewise increased by P508.9 million or 3119.9% mainly due to the loss on disposal of investment in an associate Philippine Infradev Holdings, Inc. (formerly IRC Properties Incorporated) (IRC) as result of the sale of part of shareholdings in IRC. Said sale decreased the Group's ownership interest to 11.4% as of December 31, 2018, hence, investments are reclassified to Financial Assets at Fair Value through Profit or Loss and accumulated share in net earnings of IRC recognized in the books are derecognized. A net finance costs of P6.66 million resulted in 2018 due to increase in finance cost by P11.02 million, increase in net foreign exchange loss of P6.6 million and decrease in finance income by P4.4 million. Share in net earnings of IRC registered at P7.5 million for the 1st quarter of 2018 prior to the disposal of part of shareholdings and P6.8 million in 2017.

Net income (loss) after tax for amounted to (P460.376 million) for 2018 and P23.55 million for 2017.

There is no significant element of income that did not arise from the Registrant's continuing operations. Neither is the Company's operations affected by any seasonality or cyclical trends.

#### Financial Position

	As of December 31		Increase (Decrease)	%
	2018	2017		
Current Assets	700,729,103	206,292,818	494,436,285	239.68%
Non-current Assets	402,601,546	1,480,876,565	(1,078,275,019)	(72.81%)
Total Assets	1,103,330,649	1,687,169,383	(583,838,734)	(34.60%)

Current Liabilities	284,422,791	437,359,425	(152,936,634)	(34.97%)
Non-current Liabilities	120,727,625	91,253,479	29,474,146	32.30%
Equity	698,180,233	1,158,556,479	(460,376,246)	(39.74%)

## **Explanation to Accounts with Material Variance (December 2018 vs. December 2017)**

### **Current Assets**

**Cash** amounted to P193.312 million as of December 31, 2018 as compared to P5.621 million as of December 31, 2017, or an increase of P187.7 million or 3339.4% mainly due to the proceeds from the sale of IRC shares.

**Financial assets at fair value through profit or loss** amounted to P392.937 million as of December 31, 2018 as compared to P1.982 million as of December 31, 2017, or an increase of P390.95 million or 19722.8% due to the reclassification of investments in shares of stocks of IRC from investment in an associate to financial assets at fair value through profit or loss as a result of the sale of part of the Group's shareholdings in IRC which decreased its ownership interest and the change in fair value of securities.

**Notes and other receivables** amounted to P111.801 million as of December 31, 2018 as compared to P196.022 million as of December 31, 2017, or a decrease of P84.22 million or 42.96% mainly due to collection of notes and interest receivable from IRC.

### **Non-Current Assets**

**Investment in an associate** amounted to nil as of December 31, 2018 as compared to P1,143.853 million as of December 31, 2017. The 100% decrease in the account is discussed in details in Note 5 of the Notes to the Consolidated Financial Statements.

**Property and equipment, net** amounted to P2.332 million as of December 31, 2018 as compared to P1.329 million as of December 31, 2017, or an increase of P1.003 million or 75.4% mainly due to acquisition offset by charges for depreciation.

**Investment properties** amounted to P400.270 million as of December 31, 2018 as compared to P335.608 million as of December 31, 2017, or an increase of P64.66 million or 19.3% due to gain on fair value as a result of the appraisal of the properties.

### **Current Liabilities**

**Borrowings** amounted to P13.625 million as of December 31, 2018 as compared to P135.054 million as of December 31, 2017, or a decrease of P121.4 million or 89.9% due to payment of loans.

**Accounts payable and other current liabilities** amounted to P19.254 million as of December 31, 2018 as compared to P42.290 million as of December 31, 2017, or a decrease of P23.04 million or 54.47% largely due to repayment of accrued interest on borrowings.

### **Non-Current Liabilities**

**Deferred income tax liabilities, net** amounted to P118.846 million as of December 31, 2018 as compared to P89.210 million as of December 31, 2017, or an increase of P29.7 million or 33.2% due mainly to the tax effect of unrealized gain on fair value change in investment property.

### **Equity**

**Retained Earnings (Deficit)** amounted to (P372.021 million) as of December 31, 2018 and P103.404 million as of December 31, 2017, or an increase in Deficit of P475.424 million attributed mainly to the net loss incurred by the company as a result of the reclassification of the disposal of the investment in an associate .

## YEAR 2017

### Results of Financial Operations

#### January to December 2017 compared with January to December 2016

	Years Ended December 31		Increase (Decrease)	%
	2017	2016		
Income	22,489,617	68,784,663	(46,295,046)	(67.30%)
Expenses	16,311,616	17,157,797	(846,181)	(4.93%)
Finance Income (Cost)	15,411,748	(9,506,079)	24,917,827	(262.13%)
Net Income	23,549,961	58,346,778	(34,796,817)	(59.64%)

A comparative review of the Registrant's financial operations for the period ended **December 31, 2017** vis-à-vis the same period last year showed the following:

Total Income decreased by P46.295 million or 67.3% mainly due to net effect of recovery of impairment losses on investment in an associate and reversal of allowance for impairment loss recognized in 2016 vs. none in 2017. Total operating expenses decreased by P0.846 million or 4.9% mainly due to decrease in salaries and employee benefits and professional fees. A net finance income of P15.411 million resulted in 2017 due to decrease in finance cost by P18.7 million, a net foreign exchange gain of P0.89 million with a decrease in finance income by P3.25 million.

Share in net earnings of IRC Properties, an associate decreased by P14.19 million or 67.6% due to a lower gain on fair value change in investment property of the associate.

Net income after tax registered at P23.55 million for the year 2017 and P58.347 million for the year 2016.

There is no significant element of income that did not arise from the Registrant's continuing operations. Neither is the Company's operations affected by any seasonality or cyclical trends.

### Financial Position

	As of December 31		Increase (Decrease)	%
	2017	2016		
Current Assets	206,292,818	200,939,898	5,352,920	2.66%
Non-current Assets	1,480,876,565	1,448,071,777	32,804,788	2.27%
Total Assets	1,687,169,383	1,649,011,675	38,157,708	2.31%
Current Liabilities	437,359,425	429,709,683	7,649,742	1.78%
Non-current Liabilities	91,253,479	84,416,394	6,837,085	8.10%
Equity	1,158,556,479	1,134,885,598	23,670,881	2.09%

## **Explanation to Accounts with Material Variance (December 2017 vs. December 2016)**

### **Current Assets**

**Cash** amounted to P5.621 million as of December 31, 2017 as compared to P30.050 million as of December 31, 2016, or a decrease of P24.4 million or 81.3% mainly due to additional loans extended to IRC and acquisition of additional IRC shares.

**Financial assets at fair value through profit or loss** amounted to P1.982 million as of December 31, 2017 as compared to P2.268 million as of December 31, 2016, or a decrease of P0.286 million or 12.6% due to decline in fair value of securities.

**Notes and other receivables** amounted to P196.022 million as of December 31, 2017 as compared to P167.236 million as of December 31, 2016, or an increase of P28.8 million or 17.2% mainly due to additional notes and accrued interest receivable from IRC Properties, Inc.

**Prepayments** amounted to P2.668 million as of December 31, 2017 as compared to P1.385 million as of December 31, 2016, or an increase of P1.28 million or 92.6% mainly due to prepaid income taxes.

### **Non-Current Assets**

**Investment in an associate** amounted to P1,143.853 million as of December 31, 2017 as compared to P1,124.791 million as of December 31, 2016, or an increase of P19.062 million or 1.69%. Please refer to Note 5 of the Notes to the Consolidated Financial Statements.

**Property and equipment, net** amounted to P1.329 million as of December 31, 2017 as compared to P2.681 million as of December 31, 2016, or a decrease of P1.35 million or 50.4% mainly due to depreciation.

**Investment properties** amounted to P335.608 million as of December 31, 2017 as compared to P320.453 million as of December 31, 2016, or an increase of P15.15 million or 4.7% due to gain on fair value.

**Other non-current assets** amounted to P0.087 million as of December 31, 2017 as compared to P0.147 million as of December 31, 2016, or a decrease of P0.060 million or 40.8% mainly due to decrease in fair value of available for sale securities of Mindanao Appreciation Corporation, a subsidiary.

### **Current Liabilities**

**Borrowings** amounted to P135.054 million as of December 31, 2017 as compared to P135.627 million as of December 31, 2016, or a decrease of P0.573 million or 0.42% due to foreign exchange translation difference.

**Accounts payable and other current liabilities** amounted to P44.444 million as of December 31, 2017 as compared to P36.702 million as of December 31, 2016, or an increase of P7.7M or 21.1% largely due to accrued interest on borrowings.

### **Non-Current Liabilities**

**Deferred income tax liabilities, net** amounted to P89.210 million as of December 31, 2017 as compared to P84.416 million as of December 31, 2016, or an increase of P4.79 million or 5.7% due to unrealized gain on fair value change in investment property.

### **Equity**



**Retained Earnings** amounted to P103.404 million as of December 31, 2017 and P83.830 million as of December 31, 2016, or an increase of P19.574 million attributed mainly to the net income earned by the company for the period.

## KEY PERFORMANCE AND FINANCIAL SOUNDNESS INDICATORS

### Definition of Ratios

Net Profit Ratio	-	$\frac{\text{Consolidated Net Income (Loss)}}{\text{Total Revenues}}$
Return on Assets	-	$\frac{\text{Net Income}}{\text{Total Assets}}$
Return on Equity	-	$\frac{\text{Net Income}}{\text{Total Stockholders' Equity}}$
Current Ratio	-	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Acid Test	-	$\frac{\text{Cash on hand and in banks} + \text{Financial Assets at Fair Value} + \text{Notes and other receivables}}{\text{Current Liabilities}}$
Debt to Equity	-	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$
Debt to Assets	-	$\frac{\text{Total Liabilities}}{\text{Total Assets}}$
Asset to Equity	-	$\frac{\text{Total Assets}}{\text{Total Equity}}$
Interest Coverage	-	$\frac{\text{Net Income Before Tax and Interest Expense}}{\text{Interest Expense}}$
Earnings (Loss) Per Share	-	$\frac{\text{Net Income Attributable to Equity Holders of Parent Co.}}{\text{Average number of Outstanding Common Shares}}$

Below are the comparative key performance indicators of the Company and its subsidiaries:

(%)	<u>June 30, 2020</u>	<u>Dec. 31, 2019*</u>	<u>Dec. 31, 2018*</u>	<u>Dec. 31, 2017*</u>
Net Profit Ratio	-23.8437	-2.5561	-4.8774	1.0471
Return on Assets	-0.0916	-0.2177	-0.4173	0.0140
Return on equity	-0.1905	-0.4157	-0.6594	0.0203
Current ratio	1.4244	1.7058	2.4637	0.4695

Acid test ratio	1.4140	1.6960	2.4543	0.4634
Debt to equity	1.0790	0.9094	0.5803	0.4563
Debt to assets	0.5190	0.4763	0.3672	0.3133
Asset to equity	2.0790	1.9094	1.5803	1.4563
Interest coverage	0	-	-19.5018	3.8545
Earnings (loss) per share	-0.0770	-0.2206	-0.4873	0.0200

\*Audited

In general, there are no material known trends, demands, commitments, events, transactions, arrangements or items of, by or involving the Company that would require a disclosure pursuant to Part III (A)(2)(A)(i) to (vii) of Annex "C" of the Implementing Rules and Regulations of the Securities Regulation Code, to wit:

- The Registrant is not aware of any event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons, created during the reporting period.
- No material commitments for capital expenditures had been contracted by the Registrant during the reporting period and subsequent thereof.
- There are no significant element of income or loss that did not arise from the Registrant's continuing operations.
- There are no seasonal factors that have materially affected the Financial Statements of the Registrant.

#### **D. GENERAL NATURE AND SCOPE OF BUSINESS**

Mabuhay Holdings Corporation (hereinafter "Registrant" or "MHC") was incorporated on April 6, 1988. It is a holding company principally engaged in the acquisition and disposition of investments in securities, stocks, real and personal properties, and of any kind of properties and of investments in other entities.

It was incorporated with an authorized capital of 200 million shares at a par value of P1 per share. It was listed at both the Makati and Manila stock exchanges in 1990. The Articles of Incorporation were amended in 1994 to increase the authorized capital to 4 billion shares at P1 par value per share. Currently, capital stock issued and subscribed total 1.2 billion shares, of which around P975 million have been paid out of the P1.2 billion subscriptions.

The Registrant currently holds offices at 35/F, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City. Its last annual stockholders' meeting was on September 24, 2019 and the next will be on November 5, 2020.

As of December 31, 2019, the Registrant holds directly or indirectly investments in several corporations. Two of these are wholly-owned subsidiaries while the rest are investees in which MHC has sizeable claims and interests. For the past five years, operating activities of the Registrant and its subsidiaries and affiliates have been kept to the minimum.

### ***SUBSIDIARIES AND AFFILIATES***

Major investees of the Registrant are the following:

- 1. T & M Holdings, Inc. (100%-owned by the Registrant)**  
T & M Holdings, Inc. (T&MHI) which was registered with the Commission on November 10, 1995, is a holding company engaged in investments in real properties, marketable securities and stocks of other companies, domestic or foreign.
- 2. M & M Holdings Corporation (M&MHC) (100%-owned by the Registrant)**  
Like T&MHI, M & M Holdings Corporation which was registered with the SEC on April 21, 1995, is a holding company 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 stocks. Currently, M&MHC has no substantial property except for some advances to its parent company, and a minimal amount of cash.
- 3. Tagaytay Properties and Holdings Corporation (TPHC) (26.04%-owned by the Registrant)**  
A real estate company established and registered with the SEC on April 13, 1998, TPHC owns a high potential and strategically-located land in Tagaytay City. This property was supposed to be developed into a mixed commercial and residential subdivision but such plans were postponed indefinitely as a result of changes in the zoning laws of the city.
- 4. The Taal Company, Inc. (TTCI) (29.97%-owned by the Registrant)**  
The Taal Company, incorporated on August 29, 1990, is a real estate company with property holdings in several parts of the Batangas province.
- 5. The Angeles Corporation (TAC) (38.46%-owned by the Registrant)**  
The Angeles Corporation is an investment company incorporated on October 14, 1994. Most of its assets are invested in shares of the Prosperity Taxi Cab Corporation (PTCC), which the Company sold to a third party in 2009.
- 6. Mindanao Appreciation Corporation (MAC) (28.51%-owned by the Registrant)**  
Mindanao Appreciation Corporation is an investment company incorporated and registered with the SEC on November 21, 1991. Most of its assets are invested in shares of Mabuhay Holdings Corporation and The Taal Company, Inc.

### **FOREIGN SALES.**

Not applicable

### **COMPETITIVE BUSINESS CONDITION/COMPETITIVE POSITION IN THE INDUSTRY.**

The competitiveness of the Registrant, given the nature of its business, is defined by the diversity of its interests. Most of the Registrant's affiliates are concentrated in the real estate business. Tagaytay Properties & Holdings Corporation and The Taal Co., Inc. each hold an inventory of real properties in strategic locations such as Tagaytay City, Batangas and Cavite. The aggregate landholdings of the Registrant's investees easily run to 17.8 hectares, many of which are in prime locations.

**DEPENDENCE ON A FEW CUSTOMERS.** This disclosure is currently not applicable to the Registrant's business and concerns.

**TRANSACTIONS WITH AND/OR DEPENDENCE ON RELATED PARTIES.** The Registrant's transactions with its subsidiaries and affiliates mainly consist of the granting of advances to/from them. The Registrant exercises control and management over its investees.

**NEED FOR GOVERNMENTAL APPROVAL OF PRODUCTS AND SERVICES.** Aside from being regulated by the PSE and the SEC, the Registrant generally is not subject to any other specific government regulation.

**EFFECT OF EXISTING OR PROBABLE GOVERNMENTAL REGULATIONS TO THE BUSINESS.** This disclosure is currently not applicable to the Registrant's business and concerns.

**ESTIMATE OF AMOUNT SPENT FOR RESEARCH AND DEVELOPMENT ACTIVITIES.** This disclosure is currently not applicable to the Registrant's business and concerns.

**COSTS AND EFFECTS OF COMPLIANCE WITH ENVIRONMENTAL LAWS.** This disclosure is currently not applicable to the Registrant's business and concerns.

**TOTAL NUMBER OF EMPLOYEES AND NUMBER OF FULL TIME EMPLOYEES.** As of September 30, 2020, the Registrant has 7 employees, all rendering administrative services. Of the Company's 7 employees, 5 render support services: 2 for accounting/bookkeeping work and 3 doing office services functions while the other 2 belong to the management and administration of the Company. There is no Collective Bargaining Agreement between the employees and the Registrant and there has been no strikes or threats of strike for the past five (5) years. Aside from the statutory benefits prescribed by the labor code, the Registrant's employees enjoy Company-sponsored health insurance.

**E. DIRECTORS AND OFFICERS - Pls. refer to SEC Form 20- IS**

**F. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY**

**Principal Market**

The Registrant's shares of common stock are being traded at the Philippine Stock Exchange. Of the authorized capital stock of four billion shares, 1.2 billion have been subscribed. As of December 31, 2019, MHC has received P195 million as deposits for future stock subscription. This has been presented as liability in the Registrant's Statement of Financial Position only for the purpose of complying with Financial Reporting Bulletin No. 6 issued by SEC. It is the intention of Management to issue shares upon development of concrete plans on the improvement of the Company's operations.

**Dividends**

No dividend declarations were made during the two recent fiscal years of the Registrant. Aside from the accumulated deficit sustained by the company, there is no restriction that limits the ability to pay dividends on common equity. For the year ended December 31, 2019, the Registrant may not be able to declare and pay dividends as shown in the reconciliation of Retained Earnings.

**Common Equity**

The shares of MHC traded along the following bands during 2020, 2019 and 2018:

	2020	2019	2018
--	------	------	------

	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
First Quarter	0.64	0.27	0.64	0.55	0.84	0.30
Second Quarter	0.54	0.39	0.82	0.51	0.77	0.55
Third Quarter			0.77	0.55	0.81	0.56
Fourth Quarter			0.61	0.54	0.64	0.50

The listed price of MHC shares as of September 30, 2020 is P0.495 and P0.51 as of October 8, 2020.

### ***Stockholders***

Stockholders of record as at September 30, 2020 total to one hundred ninety six (196) in number, broken down as follows:

<b><u>Citizen</u></b>	<b><u>No. of shares</u></b>	<b><u>Percentage</u></b>	<b><u>No. of Holders</u></b>
Filipino	831,521,840	69.29%	184
American	908,000	0.08%	7
Chinese	105,050	0.01%	2
Malaysian	50	0.00%	1
Other Alien	367,465,060	30.62%	2
<b>Total</b>	<b>1,200,000,000</b>	<b>100.00%</b>	<b>196</b>

Top 20 Stockholders as at September 30, 2020 all holding Common Stock:

	<b><u>Name of Stockholder</u></b>	<b><u>No. of Shares Held</u></b>	<b><u>Percentage</u></b>
1.	PCD NOMINEE CORP. (NF)	367,465,010	30.62%
2.	PROKEY INVESTMENTS LTD.	351,289,763	29.27%
3.	PCD NOMINEE CORP. (F)	318,288,988	26.86%
4.	GUOCO SECURITIES (PHILS.), INC.	123,192,131	10.27%
5.	PAPA SECURITIES CORPORATION	13,550,000	1.13%
6.	MINDANAO APPRECIATION CORP.	10,183,000	0.85%
7.	AVESCO MARKETING	1,600,000	0.13%
8.	FOUR TREASURES DEVELOPMENT CORP.	1,200,000	0.10%
9.	PROSPERITY TAXI CAP CORP.	1,000,000	0.08%
10.	YAN, LUCIO W.	1,000,000	0.08%

11.	INTERNATIONAL POLYMER CORP.	900,000	0.08%
12.	CENTURY SPORTS PHILS., INC.	812,000	0.07%
13.	ZOSA, ROLANDO M.	800,000	0.07%
14.	UY, SAMSON	700,000	0.06%
15.	MENDOZA, ALBERTO &/OR JEANIE C. MENDOZA	650,000	0.05%
16.	SY, SILIMAN	546,000	0.05%
17.	SICKLING II, HERBERT WILLIAM	500,000	0.04%
18.	SOUTH CHINA HOLDINGS	432,000	0.04%
19.	DYHONGPO, CARLOS	330,000	0.03%
20.	DYHONGPO, VIVIAN	300,000	0.03%

There had been no sales of unregistered or exempt securities of the Registrant, or issuance of its securities constituting exempt transaction.

**G. DISCUSSION ON COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE**

The Registrant is adopting the SEC Corporate Governance Self Rating Form as a tool to evaluate the level of compliance with its Manual on Corporate Governance. In addition, the Compliance Officer reviews on a periodic basis the level of compliance of its directors, officers and employees with the leading practices and principles on good corporate governance as embodied in the Registrant's Manual and the rules and regulations that the SEC and PSE issue from time to time.

There are no material deviations on the New Manual on Corporate Governance of the Company. Also, there have been no violations of the provisions of the Registrant's New Manual on Corporate Governance and no director, officer or employee has been sanctioned by reason thereof.

The Company will regularly conduct a review of the New Manual on Corporate Governance and will adopt appropriate changes as may be required or necessary under the circumstances to improve the corporate governance of the Company.

**H. UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE COMPANY'S ANNUAL REPORT IN SEC FORM 17- A DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE STOCKHOLDER MAY BE CHARGED A REASONABLE COST FOR PHOTOCOPYING THE EXHIBITS.**

**ALL REQUESTS MAY BE SENT TO THE FOLLOWING:**

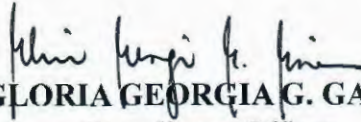
**Mabuhay Holdings Corporation  
35/F. Rufino Pacific Tower, 6784 Ayala Avenue  
Makati City 1223  
Attention: Ms. Gloria Georgia G. Garcia**

**CERTIFICATE**

I, **GLORIA GEORGIA G. GARCIA**, Filipino, of legal age, with office address as 35th Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, after having been duly sworn to in accordance with law, do hereby depose and state that:


1. I am the Compliance Officer of **MABUHAY HOLDINGS CORPORATION** (the "Corporation"), a corporation duly organized and existing under the laws of the Philippines, with principal office address at 35th Floor Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, Philippines.
2. I hereby certify that none of the Corporation's Regular Directors, Independent Directors and Officers are appointed or employed in any government agency.

IN WITNESS WHEREOF, this Certificate was signed and issued this SEP 29 2020 at CITY OF MAKATI, Philippines.

  
**GLORIA GEORGIA G. GARCIA**  
Compliance Officer

SUBSCRIBED AND SWORN to before me this SEP 29 2020 day of \_\_\_\_\_ at CITY OF MAKATI, affiant personally appeared before me and exhibited to me her Passport No. P8316836A issued at DFA NCR Northeast on 11 August 2018.

Doc. No. 123 ;  
Page No. 26 ;  
Book No. XXII ;  
Series of 2020.

  
**ATTY. GERVACIO B. ORTIZ JR.**  
Notary Public City of Makati  
Until December 31, 2020  
IBP No. 05729-Lifetime Member  
MCLE Compliance No. VI-0024312  
Appointment No. M-183-(2019-2020)  
PTR No. 8116014 Jan. 2, 2020  
Makati City Roll No. 40091  
101 Urban Ave. Campos Rueda Bldg.  
Brgy. Pio Del Pilar, Makati City

## CERTIFICATION OF INDEPENDENT DIRECTOR

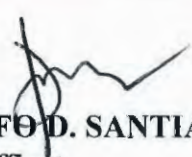
I, **RODOLFO D. SANTIAGO**, Filipino, of legal age and a resident of 114 Oriole Drive, Victoria Valley Subdivision, Antipolo City, Rizal, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **MABUHAY HOLDINGS CORPORATION** (the "Company").
2. I am affiliated with the following companies or organizations [including Government-Owned and Controlled Corporations ("GOCC")]:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Dito Telecommunity Corp.	Chief Technology Officer	3 years

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Company, as provided in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am NOT related to any director/officer/substantial shareholder of the Company and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not in government service or affiliated with a government agency or a GOCC as would require written permission or consent from the head of the agency/department for me to be an independent director of the Company, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of the Company of any changes in the abovementioned information within five days from its occurrence.

Done, this \_\_\_\_\_ day of \_\_\_\_\_, at \_\_\_\_\_.

  
**RODOLFO D. SANTIAGO**  
Affiant



SUBSCRIBED AND SWORN to before me this SEP 29 2020 day of \_\_\_\_\_  
at **CITY OF MAKATI**, affiant personally appeared  
before me and exhibited to me his/her Passport No. P6706329A issued at DFA Manila  
on 06 March 2018.

Doc. No. 122 ;  
Page No. 26 ;  
Book No. XXI ;  
Series of 2020.

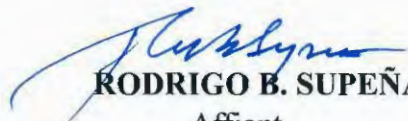
**ATTY. GERVACIO B. ORTIZ JR.**  
Notary Public City of Makati  
Until December 31, 2020  
IBP No. 05729-Lifetime Member  
MCLE Compliance No. VI-0024312  
Appointment No. M-183-(2019-2020)  
PTR No. 8116014 Jan. 2, 2020  
Makati City Roll No. 40091  
101 Urban Ave. Campos Rueda Bldg.  
Brgy. Pio Del Pilar, Makati City

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RODRIGO B. SUPEÑA**, Filipino, of legal age and a resident of 1423B Tower D, Two Serendra, Mckinley Parkway, Bonifacio Global City, Taguig City, after having been duly sworn to in accordance with law do hereby declare that:

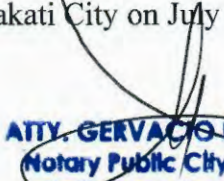
1. I am a nominee for independent director of **MABUHAY HOLDINGS CORPORATION** (the "Company") and have been its independent director since 2009.
2. I am NOT affiliated with any other companies or organizations [including Government-Owned and Controlled Corporations ("GOCC").
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Company, as provided in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am NOT related to any director/officer/substantial shareholder of the Company and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not in government service or affiliated with a government agency or a GOCC as would require written permission or consent from the head of the agency/department for me to be an independent director of the Company, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of the Company of any changes in the abovementioned information within five days from its occurrence.

Done this \_\_\_\_\_ day of \_\_\_\_\_, at \_\_\_\_\_.

  
**RODRIGO B. SUPEÑA**  
Affiant

SUBSCRIBED AND SWORN to before me this SEP 09 2020 day of \_\_\_\_\_ at  
CITY OF MAKATI, affiant personally appeared before me and exhibited to  
me his Senior Citizen ID No. 1993631 issued at Makati City on July 2002.

Doc. No. 121 ;  
Page No. 90 ;  
Book No. XXI ;  
Series of 2020.

  
**ATTY. GERVACIO B. ORTIZ JR.**  
Notary Public City of Makati  
Until December 31, 2020  
IBP No. 05729-Lifetime Member  
MCLC Compliance No. VI-0024312  
Appointment No. M-183-(2019-2020)  
PTR No. #116014 Jan. 2, 2020  
Makati City Roll No. 40091  
101 Urban Ave. Campos Rueda Bldg.  
Brgy. Pio Del Pilar, Makati City

*pe*

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **STEVEN G. VIRATA**, Filipino, of legal age and a resident of 308 Bougainville St., Alabang Village, Alabang, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:


1. I am a nominee for independent director of MABUHAY HOLDINGS CORPORATION (the "Company") and have been its independent director since 2001.
2. I am affiliated with the following companies or organizations [including Government-Owned and Controlled Corporations ("GOCC")]:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Omni Asia Tristar Holding, Inc.	Director	2014 to present
Omnipark Global Resources, Inc.	Director	2014 to present
C. Virata and Associates	Director	2001 to present
Segovia & Co.	Treasurer, Director	2014 to present
Intellicon, Inc.	Treasurer, Director	2014 to present
ATAR-IV, Inc.	Director	2005 to present
DXD Equestrian Specialist Inc.	President, Director	2015
Chilco Holdings, Inc.	Director	2003 to present
V.L. Araneta Properties, Inc.	Director and EVP	2005 to present
RPMC Resources, Inc.	Treasurer, Director	2012 to present
FEATI University	Treasurer, Director	2013 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Company, as provided in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am NOT related to any director/officer/substantial shareholder of the Company and its subsidiaries and affiliates.


5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not in government service or affiliated with a government agency or a GOCC as would require written permission or consent from the head of the agency/department for me to be an independent director of the Company, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of the Company of any changes in the abovementioned information within five days from its occurrence.

Done, this \_\_\_\_\_ day of \_\_\_\_\_, at \_\_\_\_\_.

  
**STEVEN G. VIRATA**  
 Affiant

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of **SEP 29 2020** at \_\_\_\_\_  
**CITY OF MAKATI**, affiant personally appeared before me and exhibited to me his/  
 her \_\_\_\_\_ issued at \_\_\_\_\_ on \_\_\_\_\_.

Doc. No. 182 ;  
 Page No. 78 ;  
 Book No. XXI ;  
 Series of 2020.

  
**ATTY. GERVACIO B. ORTIZ JR.**  
 Notary Public City of Makati  
 Until December 31, 2020  
 IBP No. 05729-Lifetime Member  
 MCLE Compliance No. VI-0024312  
 Appointment No. M-183-(2019-2020)  
 PTR No. 8116014 Jan. 2, 2020  
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 101 Urban Ave. Campos Rueda Bldg.  
 Brgy. Pio Del Pilar, Makati City

# MABUHAY

HOLDINGS CORPORATION

June 30, 2020

**THE PHILIPPINE STOCK EXCHANGE, INC.**

PSE Tower, 5th Avenue corner 28th Street,  
Bonifacio Global City, Taguig City

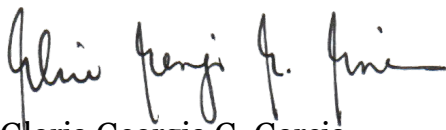
Attention: **MS. JANET A. ENCARNACION**  
**Head, Disclosure Department**

Subject: **MABUHAY HOLDINGS CORPORATION**  
**Annual Report ended December 31, 2019**

Gentlemen:

We submit herewith a copy of the Annual Report for the year ended December 31, 2019 (SEC Form 17-A) of MABUHAY HOLDINGS CORPORATION with the attached Audited Consolidated Financial Statements for the year ended December 31, 2019 and 2019 Sustainability Report.

Very truly yours,



Gloria Georgia G. Garcia  
Treasurer and Corporate Compliance Officer



**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-A**

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

1. For the Year Ended **DECEMBER 31, 2019**
2. SEC Identification Number: **150014**
3. BIR Tax Identification Number: **050-000-473-206**
4. Exact Name of Registrant: **MABUHAY HOLDINGS CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**
6. Industry Classification Code: **HO**
7. Address of Principal Office: **35/F, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, 1223**
8. Registrant's Telephone Number, Including Area Code: **(632) 750-2000**
9. Former Name, former address, former fiscal year, if changed from last report: **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA

**Common stock** **1,200,000,000 shares**

11. Are any or all of these securities listed on a Stock Exchange.

Yes [  ] No [  ]

**Philippine Stock Exchange** **Common shares of stock**

12. Check whether the Registrant:

- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a), thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months

Yes [  ] No [  ]

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

Yes [  ] No [  ]

13. Aggregate market value of the voting stock held by non-affiliates of the registrant

Total number of subscribed shares	1,200,000,000
Less: Shares held by affiliates	769,821,804
Shares held by non-affiliates	430,178,196
Market price as of December 31, 2019	0.57
Aggregate market value of voting stock held by non-affiliates	<b><u>P245,201,572</u></b>



## Year 2018 Form 17-A

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## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1 – Business

Mabuhay Holdings Corporation (hereafter referred to as “Registrant” or “MHC” or “Company”) was incorporated on April 06, 1988. It is a holding company principally engaged in the acquisition and disposition of investments in securities, stocks, real and personal properties, and of any kind of properties and of investments in other entities.

It was incorporated with an authorized capital of 200 million shares at a par value of P1 per share. It was listed at both the Makati and Manila stock exchanges in 1990. The Articles of Incorporation were amended in 1994 to increase authorized capital to 4 billion shares at P1 par value per share. Currently, capital stock issued and subscribed total 1.2 billion shares, of which P975.5 million have been paid out of the P1.2 billion subscriptions. MHC shares are now traded in the Philippine Stock Exchange.

The registrant currently holds office at 35/F Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, 1223. Its last annual stockholders’ meeting was on September 24, 2019.

As of December 31, 2019, the Registrant holds directly or indirectly substantial investments in several other corporations. Three of these are wholly owned subsidiaries while the rest are investees in which MHC has sizeable claims and interests.

For the past five years, operating activities of the Group have been kept to the minimum except for its large associate, Philippine Infradev Holdings Inc. (formerly IRC Properties, Inc. ) (PIHI). In 2018, the Group, through its wholly-owned subsidiary T&M Holdings, Inc., sold part of its shareholdings in PIHI. The sale reduced the Group's ownership interest in IRC from 29.62% to 11.4% as of December 31, 2018.

#### A. SUBSIDIARIES AND AFFILIATES

Major investees of the Registrant are the following:

1. **T & M Holdings, Inc. (100%-owned by the Registrant)**

T & M Holdings, Inc. (T&MHI) which was registered with the Commission on November 10, 1995, is a holding company engaged in investments in real properties, marketable securities and stocks of other companies, domestic or foreign.

2. **M & M Holdings Corporation (M&MHC) (100%-owned by the Registrant)**

Like T&MHI, M & M Holdings Corporation which was registered with the SEC on April 21, 1995, is a holding company 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 stocks. Currently, M&MHC has no substantial property except for some advances to its parent company, and a minimal amount of cash.

3. **Tagaytay Properties and Holdings Corporation (TPHC) (26.04%-owned by the Registrant)**

A real estate company established and registered with the SEC on April 13, 1998, TPHC owns a high potential and strategically-located land in Tagaytay City. This property was supposed to be developed into a mixed commercial and residential subdivision but such plans were postponed indefinitely as a result of changes in the zoning laws of the city.

4. **The Taal Company, Inc. (TTCI) (29.97%-owned by the Registrant)**

The Taal Company, incorporated on August 29, 1990, is a real estate company with property holdings in several parts of the Batangas province.

5. **The Angeles Corporation (TAC) (38.46%-owned by the Registrant)**

The Angeles Corporation is an investment company incorporated on October 14, 1994. Most of its assets are invested in shares of the Prosperity Taxi Cab Corporation (PTCC), which the Company sold to a third party in 2009.

6. **Mindanao Appreciation Corporation (MAC) (28.5%-owned by the Registrant)**

Mindanao Appreciation Corporation is an investment Company, incorporated and registered with the SEC on November 21, 1991. Most of its assets are invested in shares of Mabuhay Holdings Corporation and The Taal Company, Inc.

**B. FOREIGN SALES.** Not applicable to the Registrant.

**C. COMPETITIVE BUSINESS CONDITION/COMPETITIVE POSITION IN THE INDUSTRY.** The competitiveness of the Registrant, given the nature of its business, is defined by the diversity of its interests. Most of the Registrant's business interests are concentrated in the real estate property business. Tagaytay Properties & Holdings Corporation and The Taal Co., Inc., each hold an inventory of real properties in strategic locations like Tagaytay City, Batangas and Cavite. The aggregate landholdings of the Registrant's investees easily run to 17.8 hectares, many of which are in prime locations.

**D. DEPENDENCE ON A FEW CUSTOMERS.** This disclosure is currently not applicable to the Registrant's business and concerns.

**E. TRANSACTIONS WITH AND/OR DEPENDENCE ON RELATED PARTIES.** The Registrant's transactions with its subsidiaries and affiliates mainly consist of the granting of advances to /from them. The Registrant exercises control and management over some of its investees.

**F. NEED FOR GOVERNMENTAL APPROVAL OF PRODUCTS AND SERVICES.** Aside from being regulated by the PSE and the SEC, the Registrant generally is not subject to any other specific government regulation.

**G. EFFECT OF EXISTING OR PROBABLE GOVERNMENTAL REGULATIONS TO THE BUSINESS.** This disclosure is currently not applicable to the Registrant's business and concerns.

**H. ESTIMATE OF AMOUNT SPENT FOR RESEARCH AND DEVELOPMENT ACTIVITIES.** This disclosure is currently not applicable to the Registrant's business and concerns.

**I. COSTS AND EFFECTS OF COMPLIANCE WITH ENVIRONMENTAL LAWS.** This disclosure is currently not applicable to the Registrant's business and concerns.

**J. TOTAL NUMBER OF EMPLOYEES AND NUMBER OF FULL TIME EMPLOYEES.** As of December 31, 2019, The Registrant has 7 employees, all rendering administrative services. Of the Company's 7 employees, 5 render support services: 2 for accounting/bookkeeping work and 3 doing office services functions while the other 2 belong to the management and administration of the Company. There is no Collective Bargaining Agreement between the employees and the Registrant and there had been no strikes or threats of strike for the past five (5) years. Aside from the statutory benefits prescribed by the labor code, the Registrant's employees enjoy Company-sponsored health insurance.

## Item 2 – Properties

All the following properties owned by MHC and its affiliates/subsidiaries are free from lien:

Name of Property	Owner	Area	Location
Landicho Property	The Taal Co., Inc.	39,781 sq. m	Lumang Lipa, M.Kahoy, Batangas
Zara Property	The Taal Co., Inc.	14,022 sq. m	Don Juan, Cuenca, Batangas
Raňola Property	The Taal Co., Inc.	778 sq. m	Tanza, Cavite
Tagaytay Property	Tagaytay Properties and Holdings Corp.	98,671 sq. m	Rotonda, Tagaytay City
Carandang	Tagaytay Properties and Holdings Corp.	6,533 sq. m	Ambolong, Batangas
Atienza	Tagaytay Properties and Holdings Corp.	3,036 sq. m	Ambolong, Batangas
Landicho	Tagaytay Properties and Holdings Corp.	15,605 sq. m	M. Kahoy, Batangas
35F Rufino Pacific Tower (office condo unit)	Mabuhay Holdings Corp.	886 sq. m*	Ayala Avenue, Makati City

- \* Half of the 35<sup>th</sup> Floor is leased out to Smart Communications, Inc. and the other half is being used as The Registrant’s office together with Philippine Infradev Holdings Inc. (formerly IRC Properties, Inc. ) (PIHI). Rental revenues from this property amounted to P7.76M in 2019 as reflected in the Consolidated Statements of Total Comprehensive Income, Notes 8 and 17 of the Consolidated Financial Statements as of and for the year ended December 31, 2019, which are an integral part of this report.

The Registrant has plans to acquire property in the next 12 months or beyond as discussed in Note 1 to the Consolidated Financial Statements.

### Item 3 – Legal Proceedings

The Registrant and its consolidated subsidiaries/affiliates are parties to various legal actions or proceedings. However, in the opinion of management, the ultimate liability, if any, resulting from these actions or proceedings, will not have a material effect on the Registrant’s consolidated financial position except for the case mentioned in Note 20 of the Audited Financial Statements for which adequate provisions have been made.

### Item 4 – Submission of Matters to a Vote of Security Holders

There were no substantial matters submitted to a vote of the security holders during the 4<sup>th</sup> quarter of the year 2019. The last meeting of the Registrant’s stockholders was the annual stockholders’ meeting, which was held on September 24, 2019. In that meeting, the stockholders elected the directors for 2020. Messrs. Steven G. Virata and Rodrigo B. Supeña were the Registrant’s independent directors in compliance with SEC Memorandum Circular No. 16, Series of 2002, Section 38 of the Securities Regulation Code and its implementing rules and regulations.

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### Item 5 – Market for the Registrant’s Common Equity and Related Stockholder Matters

The Registrant’s shares of common stock are being traded at the Philippine Stock Exchange. Of the authorized capital stock of four billion shares, 1.2 billion have been subscribed. As of December 31, 2019, MHC has received P194.7 million as deposits for future stock subscription. Although these deposits were intended for capital subscription, they were presented as liability in the Statement of Financial Position for the purpose of complying with SEC rule 68-D.

**Dividends.** No dividend declarations were made during the two recent fiscal years of the Registrant. Aside from the accumulated deficit sustained by the company, there is no restriction that limits the ability to pay dividends on common equity.

**Stock Prices.** The shares of MHC traded along the following bands during 2019 and 2018:

	2019		2018	
	High	Low	High	Low
First Quarter	0.64	0.55	0.84	0.30
Second Quarter	0.82	0.51	0.77	0.55
Third Quarter	0.77	0.55	0.81	0.56
Fourth Quarter	0.61	0.54	0.64	0.50

The listed price of MHC shares as of end of first quarter of 2020 is P0.54, with a high of P0.64 and a low of P0.27.

**Recent Sales of Unregistered Securities.** No securities of the Registrant have been sold within the past three years which have not been registered under the Securities Regulation Code. Neither is there any claim for exemption from registration made by the Company.

## Stockholders.

Stockholders of record as at December 31, 2019 total one hundred ninety five (195) in number, broken down as follows:

Citizen	No. of Shares	Percentage	No. of Holders
Filipino	829,171,840	69.10%	183
American	908,000	0.08%	7
Chinese	105,050	0.00%	2
Other Alien	369,815,110	30.82%	3
	<b>1,200,000,000</b>	<b>100.00%</b>	<b>195</b>

Top 20 Stockholders as at December 31, 2019 all holding Common Stock:

Rank	Name of Stockholder	No. of Shares Held	Percentage
1	PCD Nominee Corporation (NF)	369,815,010	30.82%
2	Prokey Investments Ltd.	351,289,763	29.27%
3	PCD Nominee Corporation (F)	316,041,988	26.34%
4	Guoco Securities (Phils.), Inc.	123,192,131	10.27%
5	Papa Securities Corporation	13,550,000	1.13%
6	Mindanao Appreciation Corp.	10,183,000	0.85%
7	Avesco Marketing	1,600,000	0.13%
8	Four Treasures Development Corp.	1,200,000	0.10%
9	Yan, Lucio W.	1,000,000	0.08%
10	Prosperity Taxi Cab Corp.	1,000,000	0.08%
11	International Polymer Corp.	900,000	0.08%
12	Century Sports Phils., Inc.	812,000	0.07%
13	Zosa, Rolando M.	800,000	0.07%
14	Uy, Samson	700,000	0.06%
15	Mendoza, Alberto &/or Jeanie Mendoza	650,000	0.05%
16	Sy, Siliman	546,000	0.05%
17	Sickling II, Herbert William	500,000	0.04%
18	South China Holdings	432,000	0.04%
19	Dyhongpo, Carlos	330,000	0.03%
20	Dyhongpo, Vivian	300,000	0.03%

There had been no sales of unregistered or exempt securities of the Registrant, or issuance of its securities constituting exempt transaction.

### Item 6 – Management’s Discussion and Analysis or Plan of Operation

The following discussion should be read in conjunction with the Consolidated Financial Statements of the Registrant that are incorporated to this Report by reference. Such Consolidated Financial Statements have been prepared in accordance with Philippine Financial Reporting Standards.

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, Inc.) (PIHI), by assisting it to secure funding for its residential development

projects in its Binangonan property. These projects of PIHI are expected to generate significant amount of sustainable income stream and operating cash flows to the Group.

After the Group sold a significant part of its shareholdings in PIHI in 2018, it plans to concentrate on the acquisition of properties for rental purposes 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 with its foreign business partners. Among the Group's short-term and long-term plans are: (a) to acquire developed properties with the intention of converting the properties for lease operations; (b) to acquire properties for development and to convert these properties for leases; (c) to acquire properties for development of affordable housing units as part of its corporate social responsibility to contribute to the housing requirements of the country; (d) to continue to retain its substantial remaining shares of stocks in PIHI for appreciation and eventual cash flows from future dividend declarations; and (e) to continue to retain its investment properties for appreciation, and to plan for possible development of the prime properties.

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

The above plans will contribute to improve the results of operation of the Group in the following years.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price 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.

The 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 impacts on the Group's financial performance due to the unpredictability of financial markets.

The Company's equity position is in compliance with the minimum statutory requirements applicable to public companies. Given the very limited operating activities undertaken by the Group, it does not require intensive capitalization. The Group's main objective is to ensure it has adequate capital moving forward to pursue its land disposal plans at optimum gain.

Other than its gear towards opening projects on affordable housing, the Group does not anticipate other heavy requirement for working capital in 2020.

## **2019**

### **Results of Financial Operations**

A comparative review of the Registrant's financial operations for the period ended **December 31, 2019** vis-à-vis the same period last year showed the following:

Total revenues decreased by P14.2M or 15.02% mainly due to other income which registered at P21.96M in 2018 as compared to P5.4M in 2019. Total expenses decreased by P267.0M or 50.8% mainly due to the one-time effect of the loss on disposal of investment in an associate, Philippine Infradev Holdings, Inc. (formerly IRC Properties, Inc.) (PIHI) in 2018 offset by an increase in unrealized loss on revaluation of securities of P83.1M in 2019. Net finance income registered at P23.1M with no finance costs in 2019 as compared to P6.66M in 2018. Interest income increased by P3.3M offset by decrease in finance costs of P20.97M in 2019 and decrease in net foreign exchange loss of P5.5M.

Share in net earnings of IRC registered at P7.5M for the 1st quarter of 2018 prior to the disposal of part of shareholdings and P6.8M in 2017.

Net loss before income taxes registered at P154.86M for 2019 and net loss for the year registered at P205.02M after income tax provision.

There is no significant element of income that did not arise from the Registrant's continuing operations. Neither is the Company's operations affected by any seasonality or cyclical trends.

## Explanation to Accounts with Material Variance (December 2019 vs. December 2018)

### Cash

Decrease of P11.7M or 6.06% mainly due to additional investments in financial assets and used for working capital.

### Financial assets at fair value through profit or loss

Decrease of P168.7M or 42.9% mainly due to the decline in fair value of the Group's remaining investments in PIHI shares from P2.25/share in 2018 to P1.25/share in 2019.

### Notes receivables

Decrease of P44.15M or 42.3% mainly due to the amounts written-off after a final settlement agreement with PIHI as discussed in Note 4 to the Consolidated Financial Statements.

### Investment in an associate

The 100% decrease in the account is discussed in details in Note 6 to the Consolidated Financial Statements.

### Property and equipment, net

Decrease of P0.76M or 32.7% mainly due to charges for depreciation.

### Investment properties

Increase of P66.73M or 16.7% due to gain on fair value as a result of the appraisal of the properties.

### Borrowings

No movement in borrowings during the year.

### Accounts payable and other current liabilities

Decrease of P7.09M or 36.8% mainly due to payment of accruals and write-off of long outstanding payables.

### Deferred income tax liabilities, net

Increase of P49.3M or 41.5% due mainly to the tax effect of unrealized gain on fair value change in investment property.

## Key Performance and Financial Soundness Indicators

### Definition of Ratios

Net Profit Ratio	-	$\frac{\text{Consolidated Net Income (Loss)}}{\text{Total Revenues}}$
Return on Assets	-	$\frac{\text{Net Income}}{\text{Total Assets}}$
Return on Equity	-	$\frac{\text{Net Income}}{\text{Total Stockholders' Equity}}$
Current Ratio	-	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Acid Test	-	$\frac{\text{Cash on hand and in banks} + \text{Financial Assets at Fair Value} + \text{Notes and other receivables}}{\text{Current Liabilities}}$
Debt to Equity	-	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$
Debt to Assets	-	$\frac{\text{Total Liabilities}}{\text{Total Assets}}$
Asset to Equity	-	$\frac{\text{Total Assets}}{\text{Total Equity}}$
Interest Coverage	-	$\frac{\text{Net Income Before Tax and Interest Expense}}{\text{Interest Expense}}$
Earnings (Loss) Per Share	-	$\frac{\text{Net Income Attributable to Equity Holders of Parent Co.}}{\text{Average number of Outstanding Common Shares}}$

(%)	<u>Dec. 31, 2019*</u>	<u>Dec. 31, 2018*</u>	<u>Dec. 31, 2017*</u>
Net Profit Ratio	-2.5561	-4.8774	1.0471
Return on Assets	-0.2177	-0.4173	0.0140
Return on equity	-0.4157	-0.6594	0.0203
Current ratio	1.7058	2.4637	0.4695
Acid test	1.6960	2.4543	0.4634
Debt to equity	0.9094	0.5803	0.4563
Debt to assets	0.4763	0.3672	0.3133
Asset to equity	1.9094	1.5803	1.4563
Interest coverage	-	-19.5018	3.8545
Earnings (loss) per share	-0.2206	-0.4873	0.0200

\*Audited

## **2018**

### **Results of Financial Operations**

A comparative review of the Registrant's financial operations for the period ended **December 31, 2018** vis-à-vis the same period last year showed the following:

Total revenues increased by P71.9M or 319.7% mainly due to gains realized on the change in fair value of investment properties. Total expenses likewise increased by P508.9M or 3119.9% mainly due to the loss on disposal of investment in an associate Philippine Infradev Holdings, Inc. (formerly IRC Properties, Inc.) (PIHI) as a result of the sale of part of shareholdings in PIHI. Said sale decreased the Group's ownership interest to 11.4% as of December 31, 2018, hence, investments are reclassified to Financial Assets at Fair Value through Profit or Loss and accumulated share in net earnings of PIHI recognized in the books are derecognized. A net finance costs of P6.66M resulted in 2018 due to increase in finance cost by P11.02M, increase in net foreign exchange loss of P6.6M and decrease in finance income by P4.4M.

Share in net earnings of PIHI registered at P7.5M for the 1st quarter of 2018 prior to the disposal of part of shareholdings and P6.8M in 2017.

Net loss before income taxes registered at P429.97M for 2018 and net loss for the year registered at P460.38M after income tax provision.

There is no significant element of income that did not arise from the Registrant's continuing operations. Neither is the Company's operations affected by any seasonality or cyclical trends.

### **Explanation to Accounts with Material Variance (December 2018 vs. December 2017)**

#### **Cash**

Increase of P187.7M or 3339.4% mainly due to the proceeds from the sale of PIHI shares.

#### **Financial assets at fair value through profit or loss**

Increase of P390.95M or 19722.8% due to the reclassification of investments in shares of stocks of PIHI from investment in an associate to financial assets at fair value through profit or loss as a result of the sale of part of the Group's shareholdings in PIHI which decreased its ownership interest and the change in fair value of securities.

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

Decrease of P84.22M or 42.96% mainly due to collection of notes and interest receivable from PIHI.

#### **Investment in an associate**

The 100% decrease in the account is discussed in details in Note 6 of the Notes to the Consolidated Financial Statements.



**Property and equipment, net**

Increase of P1.003M or 75.4% mainly due to acquisition offset by charges for depreciation.

**Investment properties**

Increase of P64.66M or 19.3% due to gain on fair value as a result of the appraisal of the properties.

**Borrowings**

Decrease of P121.4M or 89.9% due to payment of loans.

**Accounts payable and other current liabilities**

Decrease of P23.04M or 54.47% largely due to repayment of accrued interest on borrowings.

**Deferred income tax liabilities, net**

Increase of P27.8M or 31.15% due mainly to the tax effect of unrealized gain on fair value change in investment property.

**2017****Results of Financial Operations**

A comparative review of the Registrant's financial operations for the period ended **December 31, 2017** vis-à-vis the same period last year showed the following:

Total revenues decreased by P46.295M or 67.3% mainly due to net effect of recovery of impairment losses on investment in an associate and reversal of allowance for impairment loss recognized in 2016 vs. none in 2017. Total operating expenses decreased by P0.846M or 4.9% mainly due to decrease in salaries and employee benefits and professional fees. A net finance income of P15.411M resulted in 2017 due to decrease in finance cost by P18.7M, a net foreign exchange gain of P0.89M with a decrease in finance income by P3.25M.

Share in net earnings of PIHI, an associate decreased by P14.19M or 67.6% due to a lower gain on fair value change in investment property of the associate.

Net income before income taxes registered at P28.4M for 2017 and net income for the year registered at P23.55M after income tax provision.

There is no significant element of income that did not arise from the Registrant's continuing operations. Neither is the Company's operations affected by any seasonality or cyclical trends.

**Explanation to Accounts with Material Variance (December 2017 vs. December 2016)****Cash**

Decrease of P24.4M or 81.3% mainly due to additional loans extended to PIHI and acquisition of additional PIHI shares.

**Financial assets at fair value through profit or loss**

Decrease of P0.286M or 12.6% due to decline in fair value of securities.

**Notes and other receivables**

Increase of P28.8M or 17.2% mainly due to additional notes and accrued interest receivable from PIHI.

**Prepayments**

Increase of P1.28M or 92.6% mainly due to prepaid income taxes.

**Investment in an associate**

Please refer to Note 6 of the Notes to the Consolidated Financial Statements.

**Property and equipment, net**

Decrease of P1.35M or 50.4% mainly due to depreciation.

**Investment properties**

Increase of P15.15M or 4.7% due to gain on fair value.

**Other non-current assets**

Decrease of P.060M or 40.8% mainly due to decrease in fair value of available for sale securities of Mindanao Appreciation Corporation, a subsidiary.

**Borrowings**

Decrease of P0.573M or 0.42% due to foreign exchange translation difference.

**Accounts payable and other current liabilities**

Increase of P7.7M or 21.1% largely due to accrued interest on borrowings.

**Deferred income tax liabilities, net**

Increase of P4.79M or 5.7% due to unrealized gain on fair value change in investment property.

**Item 7 – Financial Statements**

The audited consolidated financial statements of the Registrant as of and for the year ended December 31, 2019, as listed in the accompanying Index to Financial Statements and Supplementary Schedules, are filed as part of this Form 17-A.

The financial statements attached to the report include the audited statements of financial position, statements of total comprehensive income, statements of changes in equity, statements of cash flows and the notes to the financial statements. Such reports form part of our attachment to our SEC Annual Report Form 17-A.

**Item 8 – Independent Public Accountants****(a) Audit and Audit-Related Fees**

There were no disagreements with the auditors with respect to accounting principles and practices, financial disclosures, or auditing scope or procedures.

As in previous years, representatives of the Registrant's auditors are expected to be present at this year's annual stockholders' meeting, available to respond to questions that may be asked by the stockholders. The said auditors will have the opportunity to make a statement if they desire to do so.

The external auditors charged the Company and its subsidiaries an aggregate amount of P1.08M for the last two (2) calendar years ending December 31, 2019 and 2018.

**(b) Tax Fees**

There were routine professional services rendered by the external auditors for tax accounting, compliance, advice, planning and any other form of tax services in each of the last two (2) calendar years ending December 31, 2019 and 2018. The fees for these services are included in the Audit and Audit-Related Fees mentioned above.

**(c) All Other Fees**

There were no other professional services rendered by the external auditors during the period.

**(d) Company Policy in Appointment of Independent Auditor**

The President and the Treasurer recommend to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. The Board of Directors approves their recommendation.

## PART III - CONTROL AND COMPENSATION INFORMATION

### Item 9 – Directors and Executive Officers

- A. **DIRECTORS** – The names, ages, terms of office, business experience for the last five years, directorship in other companies of the directors of the Registrant are as follows:

**Atty. Roberto V. San Jose, Director, Chairman of the Board** - He was elected Chairman of the Board in 2003 and has been a member of the Board of Directors as early as 1991. He is a consultant of the Castillo Laman Tan Pantaleon & San Jose Law Offices and a Director or Officer of the following companies: Anglo Philippine Holdings Corporation, Alsons Consolidated Resources Corporation, Philweb Corporation, CP Group of Companies, Carlos Palanca Foundation, Inc., MAA Consultants, Inc., Solid Group Inc., United Paragon Mining Corporation, The Metropolitan Club, Inc. and various client corporations of their law firm. Attorney San Jose, a Filipino, is 78 years old.

**Esteban G. Peña Sy, Director and President** - He was elected as Director and President on Nov. 1, 2006 and has served as such for more than ten years now. He graduated from the University of the Philippines in 1968 with the degree of A.B. Economics and completed the Program for Management Development at Harvard Business School in 1982. He was the Managing Director of Pan Asian Management Ltd. And AI Financial Services Ltd., which are management and investment consultancy firms based in Hongkong, and Pan Asian Oasis Telecom Ltd. that operates joint venture factories engaged in the manufacture of communication and fiber optic cables in China. His previous work experience includes the following: Asst. Secretary General of the Federation of Filipino-Chinese Chambers of Commerce and Industry from 1971 - 1979 and Executive Director from 1980-1986; various positions in the Ayala Group of Companies from 1979-1984. Mr. Peña Sy, a Filipino citizen, is 72 years old.

**Atty. Delfin P. Angcao, Corporate Secretary** - Atty. Delfin Angcao holds the position since 1995. He is a partner at the Castillo Laman Tan Pantaleon & San Jose Law Offices (CLTPSJ) since the year 2000. He was a junior associate with CLTPSJ from 1995 to 1997. He climbed up to being a Senior Associate from 1997 to 2000. He was a former associate at the San Jose, Enriquez, Lacas, Santos, Borje & Vendero from 1992 to 1995. His other business experience in the last 5 years are as follows: director and/or Corporate/Asst. Corporate Secretary of various client corporations of CLTPSJ namely: United Paragon Mining Corporation, The Manila Southwoods Golf & Country Club, Inc., and Golden Valley Exploration Corporation. He is a member of the Integrated Bar of the Philippines and the Philippine Institute of Certified Public Accountants. Attorney Angcao, a Filipino, is 62 years old.

**Atty. Ana Maria Katigbak, Director and Assistant Corporate Secretary** – She holds the position of Assistant Corporate Secretary since 1999. She held the position of a director for seven years, or from 1999 to October 31, 2006, and then from June 27, 2007 up to the present. A member of the Integrated Bar of the Philippines and a graduate of Bachelor of Laws and Bachelor of Arts in Comparative Literature (Cum Laude) at the University of the Philippines, she is currently a partner at the Castillo Laman Tan Pantaleon San Jose Law Offices. Her other business experience in the last 5 years are as follows: assistant corporate secretary of publicly-listed companies and registered membership clubs such as: Boulevard Holdings, Inc., Premier Entertainment Productions, Inc., Solid Group, Inc., The Metropolitan Club, Inc., AJO.net Holdings, Inc. and PhilWeb.Corporation. She is also a lecturer at the Thames International Business School, Philippine Campus. Atty. Katigbak, a Filipino, is 51 years old.

**Anselm Wong, Director** - Mr. Anselm Wong has been elected as director since January 12, 2017 upon the resignation of Mr. Shinsuke Amiya. He is the Chief Operating Officer of Asia Development Capital Co., Ltd. (formerly Asia Alliance Holdings Co., Ltd., a company listed in The Tokyo Stock Exchange since June 2015). Mr. Wong, a Malaysian citizen, is 34 years old.

**Yang Min Lan, Director** - Mr. Yang, aged 42, received a Doctor's Degree in Engineering from The National Yunlin University of Science and Technology in Taiwan in 2009. Mr. Yang has been a member of Taiwan Certified Public Technician of higher examination for civil since 2008. He is also a member of the Taiwan Professional Civil Engineers Association. He has been involved in varied construction projects in Taiwan in the development of roads, bridges, buildings, and especially in hotel and residential development.

He also taught in Chienkuo Technology University. Presently, Mr. Yang is Chairman and Director of Lan Hai Co. Ltd., a construction consulting company since August 2015.

**Rodrigo B. Supeña, Independent Director** - Mr. Rodrigo B. Supeña has been elected as Independent Director of the Company since March 31, 2009, and has served as such for more than two years now . Mr. Supeña, a seasoned banker who previously held various key positions in Land Bank of the Philippines and Bank of the Philippine Islands, is currently a Consultant of Land Bank of the Philippines and a Board Member of LBP Leasing Corporation. Mr. Supeña, a Filipino, is 80 years old.

**Steven Gamboa Virata, Independent Director** – Mr. Steven Virata joined the Company in 2001. A degree holder of B.S. Architecture from the University of the Philippines, he has more than 10 years experience in the aviation industry, marketing, architecture, graphic design and production, theater industry and farm management. His other business experiences in the last 5 years are as follows: currently, he is a Director of C. Virata and Associates, ATAR-IV, Inc., Chilco Holdings Inc., and V.L. Araneta Properties, Inc. He was elected last year and is nominated this year, as an independent director. Mr. Virata, a Filipino, is 62 years old.

Messrs. Rodrigo B. Supeña and Steven G. Virata were elected as the Company’s independent directors at the last annual stockholders’ meeting held on September 24, 2019.

## **INDEPENDENT DIRECTORS**

In compliance with SRC Rule 38 which provides for the guidelines on the nomination and election of independent directors, and under the New Manual on Corporate Governance, the Corporate Governance Committee shall, perform the functions previously undertaken by the Nomination and Election Committee, and shall be responsible in review and evaluation of qualifications of all persons nominated to the Board and other appointments that require Board approval. The Corporate Governance Committee is composed of the following as members:

- |                              |   |                                |
|------------------------------|---|--------------------------------|
| 1. Steven G. Virata          | - | Chairman, Independent director |
| 2. Rodrigo B. Supeña         | - | Member, Independent director   |
| 3. Roberto V. San Jose       | - | Member                         |
| 4. Anselm Wong               | - | Member                         |
| 5. Ana Maria A. Katigbak-Lim | - | Member                         |

On May 20, 2008, the stockholders and the board of directors of the Company have duly approved to amend the Company’s By-Laws by inserting a new provision therein relating to the procedure on nomination and election of independent directors as required under SRC Rule 38 of the Implementing Rules and Regulations of the Securities Regulations Code. The amended By-Laws is yet to be filed with and approved by the SEC.

## **B. EXECUTIVE OFFICERS/CONTROL PERSONS**

**Esteban G Peña Sy, President** - See foregoing Director's Profile.

**Gloria Georgia G. Garcia, Corporate Treasurer & Chief Financial Officer** – A Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants, Ms. Garcia started her career with SGV & Co. Her work experience included more than three years as a junior auditor with the firm. Thereafter, she had few years in the recreation, gaming and hotel industries and more than twenty years in the real estate industry. Ms. Garcia, a Filipino, is 49 years old.

All the directors and executive officers named above were elected to their positions for a term of one (1) year and to serve as such until their successors are elected and qualified.

None of the directors and officers of the Company was involved in the past five years in any bankruptcy proceeding. Neither have they been convicted by final judgment in any criminal proceeding, nor been subject to any order, judgment or decree of competent jurisdiction, permanently enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in action by any court or administrative body to have violated a securities or commodities law.

No directors and officers are related to the extent of the fourth civil degree either by consanguinity or affinity.

There is no other person aside from those listed under Directors and Executive Officers who makes a significant contribution to the business.

Except for the above directors and officers, the Registrant has no significant employees (as the term is defined under the SRC and its implementing rules and regulations).

<b>Item 10 – Executive Compensation</b>
---

**Compensation of Directors and Executive Officers**

The annual compensation of the Company’s Chief Executive Officer and three most highly compensated executive officers for the last two (2) fiscal years and the ensuing year 2020 (estimate) are as follows:

Name and Principal Position	Salary			Bonus	Other Annual Compensation
	2020 (Estimate)	2019	2018		
Roberto V. San Jose <i>Chairman of the Board</i>					
Esteban G. Peña Sy <i>President</i>					
Delfin P. Angcao <i>Corporate Secretary</i>					
Gloria Georgia G. Garcia <i>Treasurer</i>					
Aggregate compensation (all key officers and directors as a group)					
Note: Registrant has no other executive officers except those named above.	P4.8M	P4.8M	P4.7M	None	None

Directors receiving compensation were either employed as officers of the Registrant receiving fixed monthly salary or receiving reimbursement of representation expenses incurred from time to time.

Executive officers employed by the Registrant, receiving fixed monthly salary (see table above) are Mr. Esteban G. Peña Sy and Ms. Gloria Georgia G. Garcia.

There were no employment contracts, termination of employment, or any arrangement that resulted or may result in a change of control of the Registrant.

There are no outstanding warrants or options held by the Company’s executive officers and directors as a group.

<b>Item 11 – Security Ownership of Certain Beneficial Owners and Management</b>
---

(1) Security Ownership of Certain Record and Beneficial Owners

Stockholders owning more than 5% of the Registrant’s shares of stocks as of December 31, 2019:

<b>Title of Class</b>	<b>Name And Address Of Record Owner And Relationship With Issuer</b>	<b>Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>Percent</b>
Common	Prokey Investment Ltd.** c/o Mabuhay Holdings Corporation: 35/F, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, 1223	Esteban G. Peña Sy, President of Registrant	Filipino	351,289,763	29.27
Common	PCD Nominee Corporation* G/F MSE Building 6767 Ayala Avenue, Makati City	B. A. Securities *	Foreign	369,815,010	30.82
TOTAL				721,104,773	60.09

\* B.A. Securities, Inc. is the only participant under the PCD that owns 5% or more of the Company’s voting stock. While in the past years, Mr. Esteban G. Peña Sy or Atty. Roberto V. San Jose, the Chairman of the Meeting was appointed proxy for shares in the name of B. A. Securities, Inc., Registrant is not aware of the identity of its new proxy, if any, entitled to vote in the forthcoming annual stockholders' meeting.

\*\*Prokey Investment Ltd. (Prokey) is a 100% Filipino-owned company registered in the British Virgin Islands and licensed by the SEC on March 15, 2010 to operate a representative office in the Philippines. Mr. Esteban Peña Sy, President of the Registrant and the owner of Prokey will exercise his right to vote for these shares.

(2) Security Ownership of Management.

The following directors and officers are record/beneficial (R/B) owners of the Registrant’s shares as indicated opposite their names as of December 31, 2019:

<b>Title of Class</b>	<b>Name of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>			<b>Citizenship</b>	<b>Percent of Ownership</b>
		<b>Shares</b>	<b>Amount</b>	<b>Nature</b>		
Common	Roberto V. San Jose Director/Chairman of the Board	600	600	R & B	Filipino	0
Common	Esteban G. Peña Sy	353,299,813	353,299,813	R & B	Filipino	29.44
Common	Delfin P. Angcao Director/Corp. Secretary	641	641	R & B	Filipino	0
Common	Steven G. Virata Director	100	100	R	Filipino	0
Common	Rodrigo B. Supeña	50	50	R	Filipino	0

Common	Ana Maria A. Katigbak Director/Asst. Corp. Secretary	50	100	R	Filipino	0
Common	Anselm Wong	50	50	R	Malaysian	0
Common	Yang Min Lan	50	50	R	Taiwanese	0
Common	Gloria Georgia G. Garcia, Treasurer	50	50	R	Filipino	0
TOTAL		353,301,404	353,301,454			29.44

#### **Item 12 – Certain Relationships and Related Transactions**

There are no related party transactions other than those presented in Note 16 of the Notes to Consolidated Financial Statements attached herein.

### **PART IV – CORPORATE GOVERNANCE**

#### **Item 13 – Compliance with Leading Practice on Corporate Governance**

The Company is committed to good corporate governance and continues to pursue efforts towards attaining full compliance with its New Manual on Corporate Governance.

The Company has designated its SVP-Treasurer and Chief Financial Officer, Ms. Gloria Georgia G. Garcia, as Compliance Officer who is tasked with monitoring compliance with the provisions and requirements of the Company's New Manual on Corporate Governance.

The Company progressively develops a plan and timetable for compliance with certain leading practices and principles of good corporate governance, such as structured monitoring of compensation, benefits, succession planning and continuous training for management and key personnel on the leading practices of good corporate governance.

### **PART V -- EXHIBITS AND SCHEDULES**

#### **Item 14 – Exhibits and Reports on Form 17-C**

A. **Exhibits** -- The exhibits, as indicated in the Index to Exhibits, are either not applicable to the Company or require no answer.

B. **Report on SEC Form 17-C**

The following current reports have been reported by Mabuhay Holdings Corporation during the year 2019 through official disclosures dated:

<b>Date</b>	<b>Disclosures</b>
June 18, 2019	Notice of Annual Stockholders' Meeting
June 18, 2019	Approval for the Issuance of 1.2 Billion Shares from the unissued portion of the present authorized capital stock through Private Placement
August 19, 2019	Notice of Annual Stockholders' Meeting - Amendment
September 25, 2019	Results of Annual Stockholders' Meeting
September 25, 2019	Results of Organizational Meeting of Board of Directors
October 4, 2019	Change in Corporate Contact Details
October 28, 2019	Material Related Party Transaction Policy

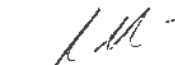
## SIGNATURES


Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on its behalf by the issuer by the undersigned, thereunto duly authorized, in the City of Makati, on JUN 29 2020, 2020.

### **MABUHAY HOLDINGS CORPORATION** **Issuer**

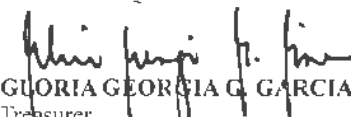
Pursuant to the requirements of the Securities Regulation Code, this annual report has been signed by the following persons in the capacities and on the dates indicated:

By:  
**Board of Directors and Officers:**

  
**ROBERTO V. SAN JOSE**  
Chairman of the Board

  
**ESTEBAN G. PEÑA SY**  
Director and President

  
**DELFIN P. ANGCAO**  
Corporate Secretary

  
**GLORIA GEORGIA G. GARCIA**  
Treasurer

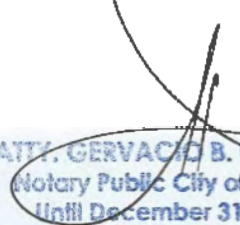


REPUBLIC OF THE PHILIPPINES )  
MAKATI CITY )

~~SUBSCRIBED AND SWORN TO~~ before me, a Notary Public, for and in Makati City, this \_\_\_\_\_ day of JUN 29 2020, affiants exhibiting to me their Community Tax Certificates/Passports/Driver's License, as follows:

Affiant	CTC No./ Passport No.	Date of Issue	Place of Issue
Roberto V. San Jose	P1329913A	December 20, 2016	DFANCR South
Esteban G. Peña Sy	P8276657A	August 09, 2018	DFA NCR Central
Delfin P. Angcao	P0113420A	August 31, 2016	Manila
Gloria Georgia G. Garcia	P8316836A	August 11, 2018	DFA NCR NorthEast

Doc. No. 224  
Page No. 46  
Book No. XIV  
Series of 2020.

  
ATTY. GERVACIO B. ORTIZ JR.  
Notary Public City of Makati  
(until December 31, 2020)  
IBP No. 05729-Lifetime Member  
MCLE Compliance No. VI-0024312  
Appointment No. M-183-(2019-2020)  
PTR No. 8116014 Jan. 2, 2020  
Makati City Roll No. 40091  
101 Urban Ave. Campos Rueda Bldg.  
Brgy. Pio Del Pilar, Makati City

**MABUHAY HOLDINGS CORPORATION**

**INDEX TO EXHIBITS**  
SEC FORM 17-A

Plan of Acquisition, Reorganization, Arrangements, Liquidation or Succession	*
Instruments Defining the Rights of Security Holders, Including Indentures	*
Voting Trust Agreement	*
Material Contracts	*
Annual Report of Security Holders, Form 17-Q or Quarterly Report to Security Holders	*
Report Furnished to Security Holders	*
Subsidiary of the Registrant	Page 18
Published Report Regarding Matters Submitted to Vote of Security Holders	*
Consents of Experts and Independent Counsel	*
Power of Attorney	*
Additional Exhibits	*

\* Either not applicable to the Company or requires no answer.

## SUBSIDIARIES OF THE REGISTRANT

The following are the subsidiaries of the Registrant over which it exercises considerable control:

**A. Wholly-owned subsidiaries**

T & M Holdings, Inc.  
M & M Holdings Corporation

**B. Others**

<u>Subsidiary</u>	<u>Ownership</u>
The Taal Company, Inc.	29.97
Tagaytay Properties and Holdings Corporation	26.04
Mindanao Appreciation Corporation	28.51
The Angeles Corporation	38.46



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of **MABUHAY HOLDINGS CORPORATION and Subsidiaries** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2019 and 2018**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

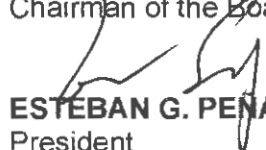
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

Isla Lipana & Co., the independent auditors, appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



**ROBERTO V. SAN JOSE**  
Chairman of the Board



**ESTEBAN G. PEÑA SY**  
President



**GLORIA GEORGIA G. GARCIA**  
Chief Financial Officer

Signed this 25th day of June 2020.

REPUBLIC OF THE PHILIPPINES )  
MAKATI CITY )

JUN 30 2020

**SUBSCRIBED AND SWORN TO** before me, a Notary Public, for and in Makati City, this \_\_\_\_\_ day of June 2020 affiants exhibiting to me their Community Tax Certificates/Passport, as follows:

<u>Affiant</u>	<u>CTC No. / Passport No.</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
Roberto V. San Jose	P1329913A	Dec. 20, 2016	DFANCR South
Esteban G. Peña Sy	P8276657A	August 09, 2018	DFANCR Central
Gloria Georgia G. Garcia East	P8316836A	August 01, 2018	DFANCR North

Doc. No. 262

Page No. 54

Book No. XIV

Series of 2020

**ATTY. GERVASIO B. ORTIZ JR.**  
Notary Public City of Makati  
Until December 31, 2020  
IBP No. 05729-Lifetime Member  
MCLE Compliance No. VI-0024312  
Appointment No. M-123-(2019-2020)  
PTR No. 8116014 Jan. 2, 2020  
Makati City Roll No. 40091  
101 Urban Ave. Campos Rueda Bldg.  
Brgy. Pio Del Pilar, Makati City

# ***Mabuhay Holdings Corporation and Subsidiaries***

**Consolidated Financial Statements**

**As at December 31, 2019 and 2018 and for each of the  
three years in the period ended December 31, 2019**



## **Independent Auditor's Report**

To the Board of Directors and Shareholders of  
**Mabuhay Holdings Corporation**  
35th Floor, Rufino Pacific Tower  
6784 Ayala Avenue  
Makati City

### ***Our Opinion***

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

#### *What we have audited*

The consolidated financial statements of the Group comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of total comprehensive income for each of the three years in the period ended December 31, 2019;
- the consolidated statements of changes in equity for each of the three years in the period ended December 31, 2019;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2019; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### ***Basis for Opinion***

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

### ***Our Audit Approach***

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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Independent Auditor's Report  
 To the Board of Directors and Shareholders of  
 Mabuhay Holdings Corporation  
 Page 2

We tailored the scope of our audits in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

*Key audit matters*

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

Key audit matter identified in our audits is as follow:

<b>Key Audit Matter</b>	<b>How our audits addressed the Key Audit Matter</b>
<p>Estimation of fair value of investment properties</p> <p>Refer to Note 8 to the consolidated financial statements for the details of the investment properties and Note 24.1 for discussion on critical accounting estimates and assumptions.</p> <p>This is a key audit matter mainly due to the materiality of the fair value of the investment properties. As at December 31, 2019, total investment properties, carried at fair value amounts to P466.96 million.</p> <p>An annual fair value assessment is performed based on the requirements of PFRS 13, Fair Value Measurement, and Philippine Accounting Standards (PAS) 40, Investment Property.</p> <p>In 2019, the Group recognized a fair value gain amounting to P66.73 million. This is based on the report prepared by an independent appraiser engaged by the Group using the market approach. This approach uses sales and listing of comparable properties registered within the vicinity premised on the factors of time, unit area or size, unit location, unit improvements, building location, building features or amenities, bargaining allowance, and others.</p>	<p>We addressed the matter by obtaining the appraisal report prepared by third party experts and reviewing the appropriateness of the method and reasonableness of the significant assumptions and estimates used in calculating the fair value and assessed in accordance with PFRS 13 requirements. In particular, audit evidence over the reliability of the appraiser report was obtained through independent verification of fair value of comparable properties within the area of the Group's properties.</p> <p>We evaluated competence, capabilities and objectivity of the independent appraiser by reviewing their profile, qualifications, client portfolio and business relationship with the Group.</p> <p>We also reviewed the accounting policy adopted by the Group's management on fair value measurement of investment properties.</p> <p>The current year adjustment relating to the valuation of investment properties was discussed and agreed with management.</p>



Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Mabuhay Holdings Corporation  
Page 3

***Other Information***

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

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

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

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

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

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

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

***Auditor's Responsibilities for the Audits of the Consolidated Financial Statements***

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



Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Mabuhay Holdings Corporation  
Page 4

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each entity within the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an entity within the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Mabuhay Holdings Corporation  
Page 5

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

The engagement partner on the audit resulting in this independent auditor's report is Imelda Ronnie de Guzman-Castro.

**Isla Lipana & Co.**

Imelda Ronnie de Guzman-Castro  
Partner

CPA Cert. No. 89352

P.T.R. No. 0011287; issued on January 7, 2020 at Makati City

SEC A.N. (individual) as general auditors 1769-A, Category A; effective until September 2, 2022

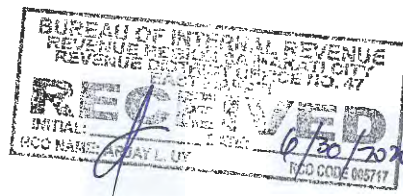
SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021

T.I.N. 152-015-095

BIR A.N. 08-000745-44-2018; issued on October 19, 2018; effective until October 18, 2021

BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City  
June 25, 2020





Isla Lipana & Co.

Statements Required by Rule 68  
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of  
**Mabuhay Holdings Corporation**  
35th Floor, Rufino Pacific Tower  
6784 Ayala Avenue  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Mabuhay Holdings Corporation (the "Parent Company") and its Subsidiaries (together, the "Group") as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated June 25, 2020. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of the operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

**Isla Lipana & Co.**

Imelda Ronnie de Guzman-Castro  
Partner

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Makati City  
June 25, 2020

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Isla Lipana & Co.

Statements Required by Rule 68  
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of  
**Mabuhay Holdings Corporation**  
35th Floor, Rufino Pacific Tower  
6784 Ayala Avenue  
Makati City

We have audited the consolidated financial statements of Mabuhay Holdings Corporation (Parent Company) and its Subsidiaries as at and for the year ended December 31, 2019, on which we have rendered the attached report dated June 25, 2020. The supplementary information shown in the Map of the Group of Companies within which the Reporting Entity Belongs and the Reconciliation of Retained Earnings Available for Dividend Declaration, as additional components required by Rule 68 of the SRC, and Schedules A, B, C, D, E, F, and G, as required by Rule 68 of the SRC, are presented for purposes of filing with the Securities and Exchange Commission and are not required parts of the consolidated financial statements. Such supplementary information are the responsibility of management and have been subjected to the auditing procedures applied in the audit of the consolidated financial statements. In our opinion, the supplementary information have been prepared in accordance with Rule 68 of the SRC.

**Isla Lipana & Co.**

Imelda Ronnie de Guzman-Castro  
Partner

CPA Cert. No. 89352

P.T.R. No. 0011287; issued on January 7, 2020 at Makati City

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Makati City  
June 25, 2020

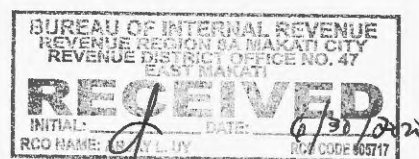
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T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, [www.pwc.com/ph](http://www.pwc.com/ph)*

## Mabuhay Holdings Corporation and Subsidiaries

Consolidated Statements of Financial Position  
December 31, 2019 and 2018  
(All amounts in Philippine Peso)

	Notes	2019	2018
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash	2	181,600,097	193,312,456
Financial assets at fair value through profit or loss	3	224,282,097	392,936,944
Notes receivables	4	60,000,000	104,149,336
Other current assets	5	7,205,152	10,330,367
Total current assets		473,087,346	700,729,103
<b>Non-current assets</b>			
Property and equipment, net	7	1,569,732	2,331,546
Investment properties	8	466,995,000	400,270,000
Total non-current assets		468,564,732	402,601,546
<b>Total assets</b>		941,652,078	1,103,330,649
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities</b>			
Accounts payable and other current liabilities	9	12,167,927	19,254,241
Income tax payable		85,304	76,315
Borrowings	10	13,624,642	13,624,642
Advances from related parties	16	9,002,267	9,002,267
Provision for litigation claims	20	47,770,052	47,770,052
Deposits for future share subscriptions	11	194,695,274	194,695,274
Total current liabilities		277,345,466	284,422,791
<b>Non-current liabilities</b>			
Provision for retirement benefits	19	3,004,170	1,881,793
Deferred income tax liabilities, net	14	168,141,338	118,845,832
Total non-current liabilities		171,145,508	120,727,625
<b>Total liabilities</b>		448,490,974	405,150,416
<b>Equity</b>			
Attributable to shareholders of the Parent Company			
Share capital	12	975,534,053	975,534,053
Treasury shares	12	(58,627,864)	(58,627,864)
Deficit		(587,193,449)	(372,020,560)
		329,712,740	544,885,629
Non-controlling interest		163,448,364	153,294,604
Total equity		493,161,104	698,180,233
<b>Total liabilities and equity</b>		941,652,078	1,103,330,649

The notes on pages 1 to 36 are an integral part of these financial statements.

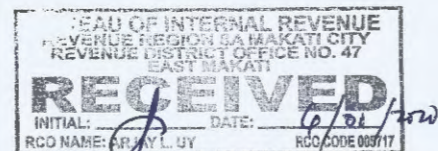


## Mabuhay Holdings Corporation and Subsidiaries

Consolidated Statements of Total Comprehensive Income  
For each of the three years in the period ended December 31, 2019  
(All amounts in Philippine Peso)

	Notes	2019	2018	2017
<b>Income</b>				
Gain on fair value change in investment properties	8	66,725,000	64,662,455	15,154,545
Rental income	8	7,760,805	7,493,144	7,308,941
Gain on disposal of financial assets at FVPL	3	227,866	260,977	13,500
Dividend income		78,758	16,313	12,631
Other income	9,10	5,415,545	21,956,985	-
		80,207,974	94,389,874	22,489,617
<b>Expenses</b>				
Loss on disposal of investment in an associate	6	-	(412,815,027)	-
Unrealized loss on revaluation of securities	3	(171,429,440)	(88,356,620)	(211,755)
Loss on write-off of receivables	4	(64,576,561)	-	-
Salaries and employee benefits	18	(8,295,824)	(5,707,970)	(5,697,922)
Meeting expenses		(4,306,642)	(4,411,666)	(2,157,447)
Professional fees		(1,311,528)	(1,596,520)	(1,549,975)
Depreciation	7	(761,814)	(1,187,641)	(1,405,528)
Other expenses	13	(7,521,642)	(11,142,694)	(5,288,989)
		(258,203,451)	(525,218,138)	(16,311,616)
<b>Income (loss) from operations</b>		(177,995,477)	(430,828,264)	6,178,001
<b>Finance income (cost), net</b>				
Interest income	2,4	23,324,528	20,037,792	24,470,068
Foreign exchange gain (loss), net	23.1	(190,445)	(5,726,068)	891,507
Interest expense	10	-	(20,972,355)	(9,949,827)
		23,134,083	(6,660,631)	15,411,748
<b>Share in net earnings of an associate</b>				
		-	7,517,176	6,811,616
<b>Income (loss) before income tax</b>		(154,861,394)	(429,971,719)	28,401,365
Provision for income tax	14	(50,157,735)	(30,404,527)	(4,851,404)
<b>Net income (loss) for the year</b>		(205,019,129)	(460,376,246)	23,549,961
<b>Other comprehensive income (loss)</b>				
Item that may be reclassified to profit or loss				
Changes in fair value of available-for-sale financial assets		-	-	28,389
Item that will not be reclassified to profit or loss				
Share in other comprehensive gain (loss) of an associate		-	-	92,531
		-	-	120,920
<b>Total comprehensive income (loss) for the year</b>		(205,019,129)	(460,376,246)	23,670,881
<b>Basic and diluted earnings (loss) per share attributable to shareholders of the Parent Company</b>				
	15	(0.2206)	(0.4873)	0.0200
<b>Net income (loss) attributable to:</b>				
Shareholders of the Parent Company		(215,172,889)	(475,424,767)	19,481,795
Non-controlling interest		10,153,760	15,048,521	4,068,166
		(205,019,129)	(460,376,246)	23,549,961
<b>Total comprehensive income (loss) attributable to:</b>				
Shareholders of the Parent Company		(215,172,889)	(475,424,767)	19,574,326
Non-controlling interest		10,153,760	15,048,521	4,096,555
		(205,019,129)	(460,376,246)	23,670,881

The notes on pages 1 to 36 are an integral part of these financial statements.

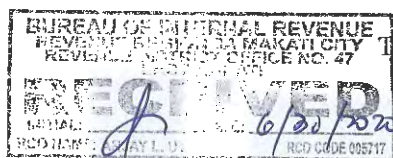




## Mabuhay Holdings Corporation and Subsidiaries

Consolidated Statements of Changes in Equity  
For each of the three years in the period ended December 31, 2019  
(All amounts in Philippine Peso)

	Shareholders of the Parent Company				Total
	Share capital (Note 12)	Treasury shares (Note 12)	Retained earnings (Deficit)	Non-controlling interest	
<b>Balances as at January 1, 2017</b>	975,534,053	(58,627,864)	83,829,881	134,149,528	1,134,885,598
<b>Comprehensive income</b>					
Net income for the year	-	-	19,481,795	4,068,166	23,549,961
Other comprehensive income for the year	-	-	92,531	28,389	120,920
Total comprehensive income for the year	-	-	19,574,326	4,096,555	23,670,881
<b>Balances as at January 1, 2018</b>	975,534,053	(58,627,864)	103,404,207	138,246,083	1,158,556,479
<b>Comprehensive income</b>					
Net income for the year	-	-	(475,424,767)	15,048,521	(460,376,246)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	(475,424,767)	15,048,521	(460,376,246)
<b>Balances as at December 31, 2018</b>	975,534,053	(58,627,864)	(372,020,560)	153,294,604	698,180,233
<b>Comprehensive income (loss)</b>					
Net income (loss) for the year	-	-	(215,172,889)	10,153,760	(205,019,129)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income (loss) for the year	-	-	(215,172,889)	10,153,760	(205,019,129)
<b>Balances as at December 31, 2019</b>	975,534,053	(58,627,864)	(587,193,449)	163,448,364	493,161,104



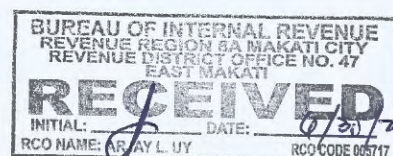
The notes on pages 1 to 36 are an integral part of these financial statements.

## Mabuhay Holdings Corporation and Subsidiaries

Consolidated Statements of Cash Flows  
For each of the three years in the period ended December 31, 2019  
(All amounts in Philippine Peso)

	Notes	2019	2018	2017
<b>Cash flows from operating activities</b>				
Income (loss) before income tax		(154,861,394)	(429,971,719)	28,401,365
Adjustments for:				
Loss on disposal of investment in an associate	6	-	412,815,027	-
Unrealized loss on revaluation of securities	3	171,429,440	88,356,620	211,755
Loss on write-off of receivables	4	64,576,561	-	-
Provision for (reversal of) retirement obligation	19	1,122,377	(161,957)	1,372,281
Depreciation	7	761,814	1,187,641	1,405,528
Unrealized foreign exchange loss (gain)	23.1	190,445	(167,035)	(820,144)
Interest expense	10	-	20,972,355	9,949,827
Accounts written-off	9,13	(5,384,305)	464,215	88,300
Share in net earnings of an associate	6	-	(7,517,176)	(6,811,616)
Dividend income		(78,758)	(16,313)	-
Gain on disposal of financial assets at FVPL	3	(227,866)	(260,977)	(13,500)
Interest income	2,4	(23,324,528)	(20,037,792)	(24,470,068)
Gain on fair value change in investment properties	8	(66,725,000)	(64,662,455)	(15,154,545)
Operating income (loss) before working capital changes		(12,521,214)	1,000,434	(5,840,817)
Increase (decrease) in other current assets		(388,033)	(1,976,845)	(3,519,303)
Increase (decrease) in:				
Advances from related parties		-	(8,437,493)	2,524,644
Accounts payable and other current liabilities		(2,200,808)	(29,787,284)	(2,880,401)
Cash absorbed by operations		(15,110,055)	(39,201,188)	(9,715,877)
Interest received	2	6,384,651	239,471	26,693
Dividend received		78,758	16,313	-
Income tax paid		(328,542)	(409,775)	(2,492,577)
Net cash used in operating activities		(8,975,188)	(39,355,179)	(12,181,761)
<b>Cash flows from investing activities</b>				
Proceeds from disposal of an associate	6	-	284,829,514	-
Interest received	4	-	60,033,495	-
Collection of notes receivable	4	-	44,966,505	-
Additional investment in an associate		-	-	(12,158,054)
Proceeds from disposal of financial assets at FVPL	3	1,863,814	2,404,458	-
Acquisition of financial assets at FVPL	3	(4,410,540)	(7,129,443)	(2,010)
Acquisition of property and equipment	7	-	(2,190,179)	(91,851)
Net cash provided by (used in) investing activities		(2,546,726)	382,914,350	(12,251,915)
<b>Cash flows from financing activities</b>				
Payment of interest	10	-	(34,604,480)	-
Payment of borrowings	10	-	(121,429,849)	-
Net cash used in financing activities		-	(156,034,329)	-
<b>Net increase (decrease) in cash for the year</b>		(11,521,914)	187,524,842	(24,433,676)
Cash as at January 1		193,312,456	5,620,579	30,049,875
Effect of exchange rates on cash		(190,445)	167,035	4,380
<b>Cash as at December 31</b>	2	181,600,097	193,312,456	5,620,579
<b>Non-cash transaction from investing activity</b>				
Addition of financial assets at FVPL	3	-	474,325,358	-

The notes on pages 1 to 36 are an integral part of these financial statements.



## **Mabuhay Holdings Corporation and Subsidiaries**

Notes to Consolidated Financial Statements

As at December 31, 2019 and 2018 and

for each of the three years in the period ended December 31, 2019

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

### **Note 1 - General information; status of operations**

#### *(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, 2019 and 2018.

The consolidated financial statements have been approved and authorized for issue by the Board of Directors on June 25, 2020.

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

The Group has incurred a consolidated net loss of P205,019,129 for the year ended December 31, 2019 (2018 - P460,376,246) which resulted in a deficit amounting to P587,193,449 (2018 - 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) (PIHI), by assisting it to secure funding for its residential development projects in its Binangonan Property. These projects of PIHI 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 PIHI. The one-time effect on the sale of its shares in PIHI, 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 PIHI 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 together with its foreign business partners.

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 acquire properties for development of affordable housing units as part of our corporate social responsibility to contribute to the housing requirements of the country;
4. To continue to retain its investment in stocks of PIHI for capital appreciation and eventual cash flows from future dividend declarations, and to invest in stocks listed in the Philippine Stock Exchange on a broader scope; and
5. 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 PIHI is expected to generate substantial dividend yield in the future upon completion of PIHI'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 and other major projects.

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.

*(c) COVID-19 assessment*

In March 2020, the Philippine Government declared a community quarantine in several areas that has resulted in significant disruptions in the local business operations and trading activities in the Philippine stock exchange. The Group has suspended its normal operations based on the quarantine guidelines.

The Group considers this event to be a non-adjusting post balance sheet event. The Group has significant investments in traded equity instruments classified as financial assets at fair value through profit or loss. The market values of these traded equity instruments have been heavily affected by the pandemic and have declined more than 29 percent from December 31, 2019 valuation (Note 3). While the pandemic will have a negative impact on the Group, it is currently unable to assess the full impact on its future financial position and the results of operations. Management is of the opinion that the Parent Company's cash flows will continue to satisfy the Parent Company's current working capital requirements for the next twelve months. The Subsidiaries in the Group are currently dormant and have no significant working capital requirement.

**Note 2 - Cash**

Cash as at December 31 consist of:

	2019	2018
Cash on hand	15,000	15,000
Cash in bank	181,585,097	193,297,456
	181,600,097	193,312,456

Cash in bank earns interest at the prevailing bank deposit rates ranging from 0.125% to 6.75% per annum in 2019 (2018 - 0.125%). Interest income from cash in bank for the year ended December 31, 2019 amounted to P6.38 million (2018 - P0.2 million; 2017 - P26,693).

### **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:

	2019	2018
Balance as at January 1	392,936,944	1,982,245
Additions	4,410,540	481,454,801
Disposals	(1,635,947)	(2,143,482)
Loss on revaluation of securities	(171,429,440)	(88,356,620)
	224,282,097	392,936,944

The account as at December 31, 2019 and 2018 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, addition amounting to P474,325,358 relates to investment in PIHI resulting divestment of Group's significant influence on PIHI (Note 6).

In 2019, the Parent Company sold listed equity shares with proceeds of P1,863,814 (2018 - P2,404,458) resulting in a gain of P227,866 (2018 - P260,977).

### **Note 4 - Notes receivable; subsequent event**

Notes receivable (including interest) as at December 31, 2019 amounts to P60.00 million (2018 - P104.15 million).

Notes receivable represent loans granted to PIHI without definite payment terms and bear annual interest rates ranging from 12% to 18%. Total interest income currently recognized from these loans amounted to P16.64 million (2018 - P19.80 million; 2017 - P24.44 million). These loans are due and demandable.

In 2018, PIHI paid off portion of the notes receivable amounting to P105.00 million of which P60.03 million pertains to payment of interest.

During 2019, the Group and PIHI continuously engaged in several discussions for the final settlement of the outstanding principal, interest and rent receivables. There were no collections made in 2019. The Group issued its demand letters to PIHI for the full collection of the outstanding receivables. As at December 31, 2019, the Group's outstanding receivables with PIHI amounted to P120.80 million in notes and interest receivables and P3.78 million in rent receivables (Note 5) totaling P124.58 million.

On June 12, 2020, the Group and PIHI entered into a final settlement agreement wherein PIHI will pay P60.00 million on or before June 15, 2020 to settle the outstanding receivables of the Group. The settlement is considered as an adjusting subsequent event. Accordingly, the remaining uncollectible receivables portion amounting to P64.58 million were written-off for the year ended December 31, 2019. The settlement amount of P60.00 million was fully collected on June 15, 2020.

Details of the write-off are as follows:

	Amount
Notes receivable	35,676,195
Accrued interest receivable	25,115,927
Rent receivable	3,784,439
Loss on write-off of receivables	64,576,561

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

	2019	2018
Balance as at January 1	94,026,873	138,993,378
Receipt of principal amount	-	(44,966,505)
Write-off	(35,676,195)	-
Balance as at December 31	58,350,678	94,026,873

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

	2019	2018
Balance as at January 1	10,122,461	50,357,635
Interest income	16,642,788	19,798,321
Write-off	(25,115,927)	-
Interest received	-	(60,033,495)
Balance as at December 31	1,649,322	10,122,461

**Note 5 - Other current assets**

	Notes	2019	2018
Advances to third parties		3,114,272	1,861,483
Prepayments		2,718,180	2,678,997
Advances to employees		283,000	218,252
Due from related parties	16	209,676	180,290
Rent receivable	4,17	-	2,934,745
Other receivables	4	880,024	2,456,600
		7,205,152	10,330,367

Prepayments mainly comprise of prepaid taxes and insurance.

Other receivables pertain to communication, utilities, repairs and maintenance billed to its tenants.

**Note 6 - Investment in an associate**

Details of the account as at December 31, 2018, which pertains to the investment in shares of stock of PIHI, are as follows:

	Amount
Acquisition cost	
Cost at January 1	635,157,306
Disposal	(386,921,034)
Reclassification	(248,236,272)
Balance at December 31	-
Accumulated share in net income	
Balance at January 1	667,400,794
Share in net earnings	7,517,176
Disposal	(381,451,590)
Reclassification	(293,466,380)
Balance at December 31	-
Allowance for impairment loss	
Balance at January 1	(158,705,119)
Disposal	89,697,301
Reclassification	69,007,818
Balance at December 31	-
Total	-

In 2018, the Group sold 222,200,000 PIHI shares for P284.83 million, resulting in a net loss on disposal amounting to P412.82 million (net of applicable charges). The sale of PIHI shares resulted in a decrease in the Group's interests in PIHI to 11.40%. The decrease in ownership resulted in the transfer of the investment in an associate to financial assets at FVPL (Note 3).

**Note 7 - Property and equipment, net**

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

	Office condominium	Building improvements	Office equipment	Transportation equipment	Communication and other equipment	Furniture and fixtures	Total
<b>Cost</b>							
January 1, 2018	13,746,305	3,859,242	760,592	5,339,911	185,182	1,662,116	25,553,348
Additions	-	-	-	2,190,179	-	-	2,190,179
December 31, 2018 and 2019	13,746,305	3,859,242	760,592	7,530,090	185,182	1,662,116	27,743,527
<b>Accumulated depreciation</b>							
January 1, 2018	13,110,190	3,321,480	671,075	5,288,052	171,427	1,662,116	24,224,340
Charges during the year	508,908	379,597	28,220	267,967	2,949	-	1,187,641
December 31, 2018	13,619,098	3,701,077	699,295	5,556,019	174,376	1,662,116	25,411,981
Charges during the year	127,207	158,165	23,013	450,482	2,947	-	761,814
December 31, 2019	13,746,305	3,859,242	722,308	6,006,501	177,323	1,662,116	26,173,795
<b>Net book values</b>							
December 31, 2018	127,207	158,165	61,297	1,974,071	10,806	-	2,331,546
December 31, 2019	-	-	38,284	1,523,589	7,859	-	1,569,732

The amount of fully depreciated assets still in use amounted to P17.65 million (2018 - P7.72 million). Depreciation expense of P0.76 million (2018 - P1.19 million; 2017 - P1.41 million) is charged to expenses.

As at December 31, 2019 and 2018, 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, 2019 and 2018.



### **Note 8 - 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 17).

In 2019, income from this property amounting to P 7.76 million (2018 - P7.49 million; 2017 - P7.31 million) was presented as rental income in profit or loss. Direct expenses incurred for this investment property amounted to P1.32 million (2018 - P1.13 million; 2017 - P1.27 million) which were recorded in communication, light and water, repairs and maintenance, association dues, taxes and licenses, and insurance under other expenses (Note 13).

The following amounts have been recognized in profit or loss:

	Note	2019	2018	2017
Rental income	17	7,760,805	7,493,144	7,308,941
Operating expenses arising from investment properties that generate rental income		(1,322,586)	(1,130,447)	(1,265,063)
		6,438,219	6,362,697	6,043,878

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

	2019	2018	2017
Balance as at January 1	400,270,000	335,607,545	320,453,000
Fair value gains	66,725,000	64,662,455	15,154,545
Balance as at December 31	466,995,000	400,270,000	335,607,545

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, 2019, the cumulative fair value gain amounted to P457.1 million (2018 - P390.3 million).

### **Note 9 - Accounts payable and other current liabilities**

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

	Note	2019	2018
Accounts payable and accrued expenses		9,229,930	15,970,652
Accrued interest on borrowings	10	2,879,506	3,179,506
Withholding taxes		55,994	101,583
Subscription payable		2,500	2,500
		12,167,930	19,254,241

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

In 2019, the Group has written-off long-outstanding payables amounting to P5.41 million following final reconciliation with its creditors. The amount is credited to other income. No such write-off in 2018.

### **Note 10 - Borrowings**

Borrowings, which are unsecured and non-interest bearing, pertain to a loan from a related party amounting to P13.62 million as at December 31, 2019 and 2018 (Note 16).

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

	Note	2019	2018
Borrowings as at January 1		13,624,642	135,054,491
Changes arising from:			
Cash flows		-	(121,429,849)
Borrowings as at December 31		13,624,642	13,624,642
Cash as at December 31	2	(181,600,097)	(193,312,456)
Net debt as at December 31		(167,975,455)	(179,687,814)

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.

In 2018, the Parent Company paid in full the principal and interest of the loan from a related party and a third party creditor amounting to P179.81 million of which P121.43 million pertains to payment of principal. Total 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. There were no payments made in 2019.

Interest expense incurred from these borrowings for the year ended December 31, 2018 amounts to P20.97 million (2017 - P9.95 million). There were no interest incurred in 2019. There was no qualifying asset in 2019 and 2018.

### **Note 11 - 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 2019 and 2018.

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 12 - Equity**

Share capital as at December 31, 2019 and 2018 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 2019 and 2018 regarding the outstanding subscription receivable.

As at December 31, 2019, there are 188 (2018 - 191) shareholders each owning more than one hundred (100) shares of the Parent Company.

**Note 13 - Other expenses**

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

	2019	2018	2017
Transportation and travel	2,650,123	1,796,804	1,171,378
Taxes and licenses	1,480,888	6,045,137	955,628
Office supplies	1,192,399	712,433	734,853
Communication, light and water	647,373	570,792	537,343
Repairs and maintenance	414,901	202,019	624,467
Association dues	407,037	395,343	387,901
Security services	400,252	373,308	373,308
Insurance	181,897	212,796	196,347
Accounts written-off	25,900	464,215	88,300
Postage	13,211	6,558	3,074
Miscellaneous	107,661	363,289	216,390
	7,521,642	11,142,694	5,288,989

**Note 14 - Income taxes**

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

	2019	2018	2017
Current	862,229	376,554	2,449,868
Deferred	49,295,506	30,027,973	2,401,536
	50,157,735	30,404,527	4,851,404

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

	2019	2018
Recoverable within 12 months		
Unrealized gain on revaluation of securities	977,755	2,357,622
Unrealized foreign exchange loss, net	-	50,110
Deferred rental income	(379,059)	(813,904)
	598,696	1,593,828
Recoverable beyond 12 months		
Fair value gain on investment property	93,738,380	118,250,117
Fair value change in investment	74,705,513	87,669
Provision for retirement benefits	(901,251)	(564,539)
	167,542,642	117,773,247
Minimum corporate income tax (MCIT)	-	(521,243)
	168,141,338	118,845,832

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, 2019 amounting to P48.11 million (2018 - P48.99 million; 2017 - P1.45 million). However, the related deferred income tax asset of P14.43 million (2018 - P14.70 million; 2017 - P434 thousand) 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	2019	2018
2019	2022	48,108,397	-
2018	2021	48,996,322	48,996,322
2017	2020	1,446,774	1,446,774
2016	2019	14,435,333	14,435,333
Total NOLCO		112,986,826	64,878,429
Expired during the year		(14,435,333)	-
		98,551,493	64,878,429
Deferred income tax assets not recognized at 30%			19,463,529

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	2019	2018
2019	2022	524,700	-
2018	2021	529,818	529,818
		1,054,518	529,818
Unrecognized MCIT		(1,054,518)	(8,575)
Recognized MCIT		-	521,243

In 2019, the MCIT amounting to P524,700 was charged to current income tax. The MCIT is unrecognized in the expectation that the Group will not be able to generate sufficient future taxable income against which this can be applied.

In 2019, the MCIT amounting to P524,700 was charged to current income tax. The MCIT is unrecognized in the expectation that the Group will not be able to generate sufficient future taxable income against which this can be applied.

In 2018, the Group recognized MCIT amounting to P521,243 as part of net deferred income tax asset. The payable amount is offset against prepaid tax under prepayments and other current assets.

In 2017, the Group applied MCIT amounting to P2,391,799 credited to provision for income tax.

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

	2019	2018	2017
Income before income tax	(154,861,394)	(429,971,719)	28,401,365
Tax on pretax income at 30%	(46,458,418)	(128,991,516)	8,520,410
Adjustment for income subjected to lower tax rates	53,116,525	(51,020,701)	(265,941)
Difference in tax rate on unrealized fair value loss on unlisted shares	28,919,349	-	-
Unrecognized NOLCO and MCIT	15,484,301	14,698,897	434,031
Non-deductible expenses	1,151,422	199,947,977	609,935
Share in net earnings of an associate	-	(2,255,153)	(2,043,485)
Unrecognized MCIT in a Subsidiary	-	8,575	-
Applied MCIT	-	-	(2,391,799)
Non-taxable income	(2,923,119)	(1,983,552)	(3,789)
Others	867,675	-	(7,958)
	50,157,735	30,404,527	4,851,404

#### **Note 15 - 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:

	2019	2018	2017
Net income (loss) attributable to the shareholders of Parent Company	(215,172,889)	(475,424,767)	19,481,795
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	(0.2206)	(0.4873)	0.0200

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

## **Note 16 - 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, 2019.

	2019			Terms and conditions
	Notes	Transactions	Outstanding balances	
Due from				
Entities under common control				
Intrinsic Value Management (IVM)				
Philippine Strategic International Holdings, Inc.(PSIHI)				Unsecured, non-interest bearing, with no guarantee and collectible in cash on demand.
South China Holdings Corporation (SCHC)	5	39,386	209,676	
Borrowings from				
Entity under common control (IVM)	10	-	(13,624,642)	Unsecured, non-interest bearing, with no guarantee and payable in cash on demand.
Advances from				
Entities under common control				
IVM, PSIHI		-	9,002,267	
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		2,820,000	-	

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			Terms and conditions
	Notes	Transactions	Outstanding balances	
Due from				
Entities under common control				
Intrinsic Value Management (IVM)				
Philippine Strategic International Holdings, Inc.(PSIHI)				Unsecured, non-interest bearing, with no guarantee and collectible in cash on demand.
South China Holdings Corporation (SCHC)	5	-	180,290	
Borrowings from				
Entity under common control (IVM)	10	-	(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				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		2,820,000	-	

Intercompany loans eliminated in 2019 amount to P587.8 million (2018 - P596.03 million).

Based on management's assessment, the carrying values of receivables from related parties are deemed collectible.

### **Note 17 - 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 7). The remaining portion is leased to third parties.

In 2019, rental income from investment in a commercial unit amounted to P7.76 million (2018 - P7.49 million) (Note 8).

The Parent Company renewed its lease agreement with PIHI 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, 2019 and expiring on March 30, 2020. 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 35th 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 agreement is in the process of being renewed as at reporting date.

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.

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

	2019	2018	2017
Within one (1) year	7,972,480	6,268,602	7,259,814
After one (1) year but not more than five (5) years	-	16,091,712	19,822,122
	7,972,480	22,360,314	27,081,936

### **Note 18 - Salaries and employee benefits**

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

	2019	2018	2017
Salaries and wages	3,914,827	3,536,878	2,929,759
Employee benefits	3,796,385	1,677,633	2,413,743
Bonus and allowances	387,351	377,008	245,575
SSS, Philhealth and HDMF	197,261	116,451	108,845
	8,295,824	5,707,970	5,697,922

**Note 19 - 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:

	2019	2018
Retirement benefit obligation	3,004,170	1,881,793
Retirement benefit expense (income)	1,122,376	(161,957)

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

	2019	2018
January 1	1,881,793	2,043,750
Current service cost	1,122,377	(161,957)
December 31	3,004,170	1,881,793

The retirement benefit expense is included under salaries and employee benefits (Note 18) in profit or loss.

The principal assumptions made as at December 31, 2019 and 2018 are as follows:

	2019	2018
Discount rate	4.33%	7.64%
Expected future salary increase	3.00%	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 20 - 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.

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, 2019 and 2018, management is still assessing other legal remedies available to settle the case.

### **Note 21 - 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 22 - 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:

	2019	2018
Operating assets	1,006,199,650	1,103,330,649
Operating liabilities	448,490,977	405,150,416
Revenue and income	103,542,264	114,594,701
Other income	-	7,517,176
Costs and expenses	244,013,824	(582,488,123)
Segment net income	(140,471,560)	(460,376,246)

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 2019 and 2018.

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 2019 and 2018.

### **Note 23 - Financial risk and capital management**

#### **23.1 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 2019 and 2018.

### 23.1.1 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:

	2019	2018
	In USD	In USD
Cash in bank	107,154	106,923
Exchange rates	50,7440	52,7240
Peso equivalent	5,437,423	5,637,408

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

	2019	2018	2017
Realized	-	5,893,103	(71,363)
Unrealized	190,445	(167,035)	(820,144)
	190,445	5,726,068	(891,507)

As at December 31, 2019 and 2018, the Group's exposure to currency risk relates to the foreign currency denominated cash in bank (Note 2).

The table below presents the impact of possible movements of Philippine Peso against the US 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
December 31, 2019 US Dollar	+/-3.76%	+/-142,938
December 31, 2018 US Dollar	+/-4.60%	+/-212,766

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) 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, 2019, 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 P3.19 million (2018 - P3.92 million) 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 10). 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.

**23.1.2 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
2019		
Cash in bank	181,585,097	-
Notes receivable	60,000,000	-
Other current assets*	-	4,486,972
	241,585,097	4,486,972
2018		
Cash in bank	193,297,456	-
Notes receivable	-	104,149,336
Other current assets*	-	7,651,370
	193,297,456	111,800,706

\*excluding prepayments

(i) *Cash in bank*

The Group deposits its cash balances in a universal bank to minimize the credit risk exposure. The Company assessed no significant credit risk.

(ii) Notes receivable

As at December 31, 2018, notes receivable (including interest) amounting to P104.15 million and rent receivables amounting to P2.93 million were deemed underperforming and not subject to any provision for impairment. These relate to receivables from PIHI aged more than 180 days. Management believed it can fully recover the balance based on the reasonable credit worthiness and financial position of PIHI. There were no historical losses recognized on these balances. Management was prepared to exercise all possible legal means available to recover the full amount.

As at December 31, 2019, the Group's outstanding receivables with PIHI amounted to P120.80 million in notes and interest receivables and P3.78 million in rent receivables totaling P124.58 million. The Group issued its demand letters to PIHI for the full collection of the outstanding receivables.

On June 12, 2020, the Group and PIHI entered into a final settlement agreement for P60.00 million (Note 4). The uncollectible receivables were fully written-off in profit and loss. The outstanding total receivables as at December 31, 2019 of P60.00 million was fully collected on June 15, 2020.

(iii) Other current assets (excluding prepayments)

Advances to third parties, advances to employees, due from related parties and other receivables reported under other current assets totaling P4.49 million as at December 31, 2019 (2018 - P4.72 million) are monitored on an ongoing basis which normally results in an assessment that the Group's exposure to bad debts is not material. There were no historical losses recognized on these balances.

### 23.1.3 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, 2019				
Borrowings	-	-	13,624,642	13,624,642
Accounts payable and other current liabilities*	-	-	10,848,407	10,848,407
Advances from related parties			9,003,530	9,003,530
			33,476,579	33,476,579
As at December 31, 2018				
Borrowings	-	-	13,624,642	13,624,642
Accounts payable and other current liabilities *	-	-	18,336,255	18,336,255
Advances from related parties	-	-	9,002,267	9,002,267
	-	-	40,963,164	40,963,164

\*This excludes taxes payable and deferred rental income.

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

## 23.2 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 consolidated statement of financial position, as well as deposit for future share subscriptions presented under liabilities as follows:

	2019	2018
Total equity	493,161,104	698,180,233
Deposit for future share subscriptions	194,695,274	194,695,274
	687,856,378	892,875,507

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, 2019 and 2018. 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 2019 and 2018.

## 23.3 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:

	2019		2018	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Fair value through profit or loss	224,282,097	224,282,097	392,936,944	392,936,944
Fair value at amortized cost				
Cash	181,600,097	181,600,097	193,312,456	193,312,456
Notes receivable	60,000,000	60,000,000	104,149,336	104,149,336
Other current assets*	4,486,972	4,486,972	7,651,370	7,651,370
Total assets	470,369,166	470,369,166	698,050,106	698,050,106
Financial liabilities at amortized cost				
Borrowings	13,624,642	13,624,642	13,624,642	13,624,642
Accounts payable and other current liabilities**	10,848,407	10,848,407	18,336,255	18,336,255
Advances from related parties	9,003,530	9,003,530	9,002,267	9,002,267
Total liabilities	33,476,579	33,476,579	40,963,164	40,963,164

\*This excludes prepayments

\*\*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.

## 23.4 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, 2019 and 2018, the Group's financial assets at fair value through profit or loss 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 features/amenities, bargaining allowance and others.

### Note 24 - 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.

#### 24.1 Critical accounting estimates and assumptions

##### *(a) Estimate of fair value of investment properties (Note 8)*

The Group's investment properties have an estimated market value of P219,000 per square meter (2018 - P160,300 per square meter) for the commercial unit and P420 to P3,200 per square meter (2018 - P250 to P3,200 per square meter) for the land as at December 31, 2019 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 2019 amounted to P466.99 million (2018 - P400.27 million). Where the estimated market value differs by 10% from management's estimates, the carrying amount of investment properties would have been P47 million (2018 - P40.02 million) higher or lower.

##### *(b) Retirement benefits (Note 20)*

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	2019	2018
Discount rate		
1% decrease	267,513	197,562
1% increase	(243,394)	(177,208)
Rate of salary increase		
1% decrease	240,482	148,428
1% increase	(192,423)	(118,938)

## 24.2 Critical accounting judgments

### *(a) Recoverability of receivables with PIHI (Note 4)*

The recoverability for notes and rental receivables is based on judgment about risk of default and expected credit loss. The Group uses judgment in assessing the recoverability of its notes and rental receivables, based on the Group's past history, existing market conditions as well as forward looking estimates (such as financial position and performance, industry information and management's legal remedies) at the end of each reporting period.

Management evaluates the credit worthiness and financial position of PIHI. Management uses judgment based on the best available facts and circumstances. Management also includes in its assessment all available and legal means in evaluating recoverability of the its receivables.

As at December 31, 2018, no allowance is necessary based on management's assessment and judgment.

As at December 31, 2019, the outstanding balance represents the full amount collectible in 2020 resulting from the final settlement between the Company and PIHI (Note 4).

### *(b) Recognition of deferred income tax assets (Note 14)*

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 and MCIT amounting to P29.57 million and P1.05 million, respectively, (2018 - P19.46 million NOLCO and P8.6 thousand) 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 25.3)*

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.

In 2018, the Group sold significant number of its shares in PIHI. Management has assessed the level of influence that the Group has on PIHI and determined that it has no significant influence and control has not been established as a result of the divestment. Consequently, this investment was classified as an associate in 2017 and reclassified to financial assets at fair value through profit or loss in 2018 and 2019.

### *(d) Impairment of investment properties (Note 8)*

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 features/amenities, bargaining allowance and others which management believes are reasonable.

The carrying amount of investment properties amounted to P466.96 million as at December 31, 2019 (2018 - P400.27 million). No impairment loss was recognized on investment properties for the years ended December 31, 2019 and 2018.

*(e) Provision for litigation claims (Note 20)*

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, 2019 and 2018 and is shown as a separate line item in the consolidated statement of financial position.

*(f) Contingency (Note 21)*

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 25 - 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.

**25.1 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 and investment properties.

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 24.

**25.2 Changes in accounting policies and disclosures**

There are no amendments to PFRS effective for the financial year beginning January 1, 2019 that have significant impact on the Group's financial statements.

**25.3 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2019 and 2018. 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 2019 and 2018		
	Direct	Indirect	Total
T&M Holdings, Inc. (TMHI)	100%	-	100%
M&M Holdings Corporation (MMHC)	100%	-	100%
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)*	28.50%	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:

2019	TPHC	MAC	TTCI	TAC
	(In thousands of Pesos)			
Total current assets	9,306	51,785	11,738	2,011
Total non-current assets	319,027	-	25,973	-
Total assets	328,333	51,785	37,711	2,011
Total current liabilities	41,336	31,417	4,825	10,703
Total non-current liabilities	86,455	92	7,596	-
Total liabilities	127,791	31,509	12,421	10,703
Net assets (liabilities)	200,542	20,276	25,290	(8,692)
Income (Loss)	26,215	(0.3)	1,186	2
Expenses	(2,914)	(2,946)	(128)	(75)
Income (loss) before tax	23,301	(2,946)	1,058	(73)
Provision for income tax	(7,765)	(5)	(346)	-
Net income (loss) for the year	15,536	(2,951)	712	(73)
Other comprehensive loss	-	-	-	-
Total comprehensive income (loss)	15,536	(2,951)	712	(73)
Cash flows from:				
Operating activities	(1,805)	(85)	(135)	(73)
Investing activities	-	-	-	-
Net cash inflow (outflow)	(1,805)	(85)	(135)	(73)



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.

## 25.4 Cash

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

## 25.5 Financial instruments

### 25.5.1 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*

The Group 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.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

#### *(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 profit or loss.

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 (Note 2), notes receivable (Note 4) and other current assets (except prepayments) (Note 5).

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

Investment in equity instruments that are held for trading are measured at fair value. Gains and losses for these financial assets are recorded in profit or loss. 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 Group's financial assets at FVPL (Note 3) 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 payable to government agencies and deferred rental income) (Note 9) and advances from related parties (Note 16).

## 25.5.2 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 profit or loss.

### *(b) Subsequent measurement*

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

Financial assets at amortized cost are subsequently carried at amortized cost using the effective interest method, less provision for impairment.

#### *(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 in profit or loss as a separate line item when the Company'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.

## 25.5.3 Impairment

The Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a 12-month expected loss allowance for rent receivables. This did not result in any increase of the loss allowance for rent receivables in 2019 and 2018.

The Group applies the lifetime expected loss allowance for its notes receivable, advances and other receivables and due to related parties. To measure the expected credit losses, notes receivable, advances and other receivables and due to related parties have individually specific assessed credit risk characteristics and the days past due. When a receivable remains uncollectible after the Group has exerted all legal remedies, it is written-off against an allowance account.

As at December 31, 2019 and 2018, all receivables are assessed as fully collectible based on the reasonable credit worthiness of the debtor, collection history and the Group's legal remedies.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in profit and loss. Subsequent recoveries of amounts previously written-off are credited against operating expenses in profit and loss.

## 25.5.4 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.

#### 25.5.5 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, 2019 and 2018, there are no financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements.

#### 25.6 Note receivables

Notes receivable 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 such as rent receivables, advances and other receivables and due from related parties 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 25.5.

#### 25.7 Other current assets

Other current assets include assets that are realized as part of the normal operating cycle and are included in current assets, except for maturities greater than twelve (12) months after the reporting date, in which case, these are classified as non-current assets. Other current assets are recognized at cost and are derecognized when used, consumed, sold or when it has been determined that there are no future benefits.

#### 25.8 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.

### **25.9 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.

### **25.10 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.

#### **25.11 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.



## **25.12 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 25.5.

## **25.13 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.

## **25.14 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 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.

#### **25.15 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.

#### **25.16 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.

#### **25.17 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 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.

#### **25.18 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.

## **25.19 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.

## **25.20 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.

### *(e) Expenses*

Expenses are recognized when these are incurred.

## **25.21 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.

## **25.22 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.

## **25.23 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.

**25.24 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.

**25.25 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.

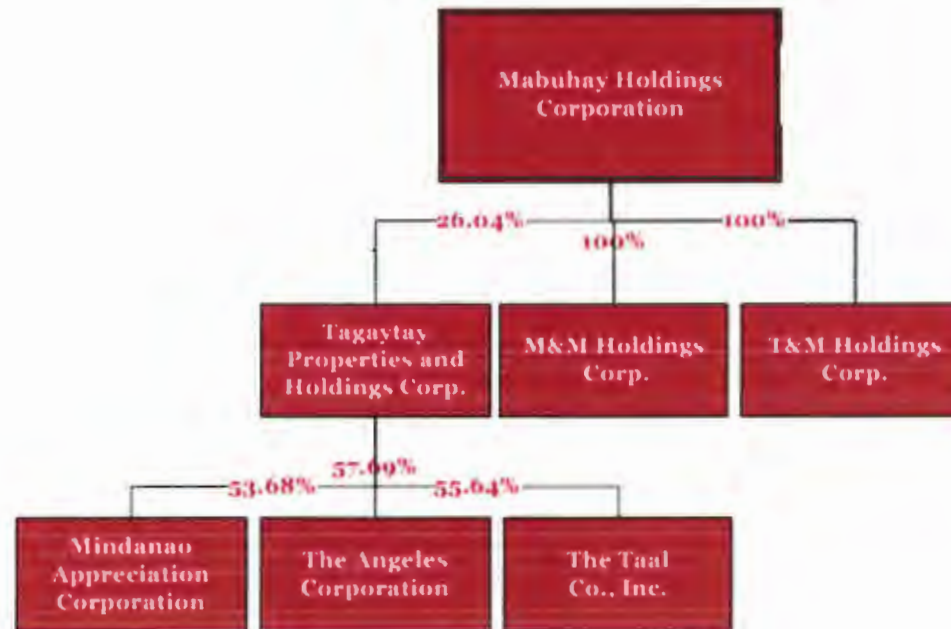
## Mabuhay Holdings Corporation and Subsidiaries

### Schedule of Financial Soundness Indicators December 31, 2019 and 2018

Ratio	Formula	2019	2018	
Current ratio	Total current assets divided by total current liabilities		1.7058:1	2.4637:1
	Total current assets	473,087,346		
	Divided by: Total current liabilities	277,345,466		
	Current ratio <u>1.7058</u>			
Quick asset ratio	Quick assets (total current assets less prepayments and other current assets) divided by total current liabilities		1.6960:1	2.4543:1
	Total current assets	473,087,346		
	Less: Prepayments and other current assets	<u>(2,718,180)</u>		
		470,369,166		
	Divided by: Total current liabilities	277,345,466		
	<u>1.6760</u>			
Solvency ratio	[Net income after tax plus non-cash expenses (e.g. depreciation etc.)] divided by total liabilities		(0.4554):1	(1.1334):1
	Net loss after tax	(205,019,129)		
	Add: Depreciation and amortization	<u>761,814</u>		
		(204,257,315)		
	Divided by: Total liabilities	448,490,974		
	<u>(0.4554)</u>			
Debt to asset	Total liabilities divided by total assets		0.4763:1	0.3672:1
	Total liabilities	448,490,974		
	Divided by: Total assets	941,652,078		
	<u>0.4763</u>			
Debt to equity	Total liabilities divided by total equity		0.9094:1	0.5803:1
	Total liabilities	448,490,974		
	Divided by: Total equity	493,161,104		
	<u>0.9094</u>			
Asset to equity	Total assets divided by total equity		1.9094:1	1.5803:1
	Total assets	941,652,078		
	Divided by: Total equity	493,161,104		
	<u>1.9094</u>			
Interest coverage	Net loss before interest and tax divided by interest expense		-	(19.5018)
	Net loss before interest and tax	(23,134,083)		
	Divided by: Interest expense	-		
	<u>-</u>			
Return on equity	Net income (loss) after tax divided by total equity		(0.4157)	(0.6594)
	Net loss after tax	(205,019,129)		
	Divided by: Total equity	493,161,104		
	<u>(0.4157)</u>			
Return on asset	Net income (loss) after tax divided by total assets		(0.2177)	(0.4173)
	Net loss after tax	(205,019,129)		
	Divided by: Total assets	941,652,078		
	<u>(0.2177)</u>			
Net profit (loss) ratio	Net income after tax divided by total income		(2.5561)	(4.8774)
	Net loss after tax	(205,019,129)		
	Divided by: Total income	80,207,974		
	<u>(2.5561)</u>			
Earnings per share	Net income (loss) attributable to the Parent divided by number of common stock outstanding		P(0.2206)	P(0.4873)
	Net loss after tax	(215,172,889)		
	Divided by: Number of common stock outstanding	975,534,053		
	<u>(0.2206)</u>			

## Mabuhay Holdings Corporation and Subsidiaries

Map of the Group of Companies within which the Reporting Entity Belongs  
December 31, 2019





## Mabuhay Holdings Corporation and Subsidiaries

### Schedule A. Financial Assets

December 31, 2019

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	213,684,487	213,684,487	-
Ayala Land Inc.	53,800	2,447,900	2,447,900	-
Bank of the Philippine Islands	64,110	5,635,269	5,635,269	-
Philippine Long Distance	1,050	1,037,400	1,037,400	-
Phil. Realty A	2,023,428	607,028	607,028	-
Basic Energy Corp.	1,110,000	271,950	271,950	-
RFM Corporation	40,000	212,000	212,000	-
Greenery H./Musx Corp.	62,300	116,501	116,501	-
Filinvest Land, Inc.	84,250	126,375	126,375	-
Ayala Corporation	69	54,200	54,200	-
Cosco Capital, Inc.	5,000	34,200	34,200	-
BDO Unibank, Inc.	147	23,226	23,226	-
F. Estate Land Inc.	6,850	8,220	8,220	-
Swift Food Inc.	44,621	5,221	5,221	-
GMA Network, Inc.	1,000	5,330	5,330	-
National Reinsurance Corp.	5,000	4,150	4,150	-
United P. Mining Corp.	750,000	3,900	3,900	-
Swift Food Inc. (Preference)	1,759	2,392	2,392	-
Filipino Fund Inc.	330	2,244	2,244	-
Manila Mining Corp. (B)	4,345	72	72	-
Manila Mining Corp. (A)	9,551	32	32	-
<b>Total</b>	<b>175,215,199</b>	<b>224,282,097</b>	<b>224,282,097</b>	<b>-</b>

**Mabuhay Holdings Corporation and Subsidiaries**

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

December 31, 2019

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	-	25,900	-	(25,900)	-	-	-
Philippine Strategic Intl. Holdings, Inc.	-	200	-	-	200	-	200
Intrinsic Value Management Ltd.	180,290	29,186	-	-	209,476	-	209,476
	180,290	55,286	-	(25,900)	209,676	-	209,676

## Mabuhay Holdings Corporation and Subsidiaries

Schedule C. Amounts Receivable from Related Parties which are Eliminated  
during the Consolidation of the financial statements  
December 31, 2019

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	52,411,616	100	(8,300,000)	-	44,111,716	-	44,111,716
Mindanao Appreciation Corporation	18,523,641	15,930	-	(15,930)	18,523,641	-	18,523,641
M&M Holdings Corporation	68,271,461	-	-	-	68,271,461	-	68,271,461
The Angeles Corporation	-	16,800	-	(16,800)	-	-	-
T&M Holdings, Inc.	609,215	25,837	-	(23,400)	611,652	-	611,652
Tagaytay Properties Holdings Corporation	4,687,944	2,500	-	(2,500)	4,687,944	-	4,687,944
The Taal Company, Inc.	2,276,864	-	-	-	2,276,864	-	2,276,864
<b>Total</b>	<b>146,780,741</b>	<b>61,167</b>	<b>(8,300,000)</b>	<b>(58,630)</b>	<b>138,482,014</b>	<b>-</b>	<b>138,483,278</b>

**Mabuhay Holdings Corporation and Subsidiaries**

Schedule D. Long-term debt  
December 31, 2019

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 E. Indebtedness to related parties (Long-term loans from Related Companies)  
December 31, 2019

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

**Mabuhay Holdings Corporation and Subsidiaries**

Schedule F. Guarantees of Securities of Other Issuers

December 31, 2019

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 G. Capital Stock  
December 31, 2019

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
COMMON SHARES	4,000,000,000	1,200,000,000	-	58,627,864	1,641	1,141,370,495

**M**ABUHAY  
HOLDINGS CORPORATION

August 3, 2020

**THE PHILIPPINE STOCK EXCHANGE, INC.**

PSE Tower, 5th Avenue corner 28th Streets  
Bonifacio Global City, Taguig City

Attention: **MS. JANET A. ENCARNACION**  
**Head, Disclosure Department**

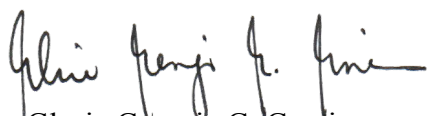
Subject: **MABUHAY HOLDINGS CORPORATION**  
**Second Quarter Report ended June 30, 2020**

Gentlemen:

We submit herewith a copy of the First Quarter Report for the period ended June 30, 2020 (SEC Form 17-Q) of MABUHAY HOLDINGS CORPORATION.

Hope you will find this in order. Thank you.

Very truly yours,



Gloria Georgia G. Garcia  
Treasurer and Corporate Compliance Officer



SEC Registration Number

0	0	0	0	0	1	5	0	0	1	4
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Company Name

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Principal Office (No./Street/Barangay/City/Town/Province)

3	5	T	H		F	L	O	O	R																				
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M	A	K	A	T	I		C	I	T	Y																			
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Form Type

1	7	-	Q
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Department requiring the report

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Secondary License Type, if applicable

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COMPANY INFORMATION

Company's Email Address

mabuhayholdings@yahoo.com
---------------------------

Company's Telephone Number(s)

7750-2000
-----------

Mobile Number

--

No. of Stockholders

--

Annual Meeting (Month/Day)

--

Fiscal Year (Month/Day)

--

CONTACT PERSON INFORMATION

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

Name of Contact Person

GLORIA GEORGIA G. GARCIA
--------------------------

Email Address

ggg.mhc@gmail.com
-------------------

Telephone Number(s)

7750-2000
-----------

Mobile Number

--

Contact Person's Address

35 <sup>th</sup> Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City
--

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

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q**

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

1. For the Quarter Ended **June 30, 2020**
2. Commission Identification Number: **150014**
3. BIR Tax Identification Number: **047-000-473-206**
4. Exact Name of issuer as specified in its charter: **MABUHAY HOLDINGS CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**
6. Industry Classification Code: \_\_\_\_\_ (SEC Use Only)
7. Address of Principal Office: **35/F Rufino Pacific Tower, Ayala Avenue, Makati City**
8. Issuer's Telephone Number, Including Area Code: **(632) 750-2000**
9. Former Name, former address, former fiscal year, if changed from last report:
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

<b>Common shares</b>	<b>1,200,000,000</b>
----------------------	----------------------

11. Are any or all of these securities are listed on the Philippine Stock Exchange.

Yes	[ <input checked="" type="checkbox"/> ]	No	[ <input type="checkbox"/> ]
-----	---	----	------------------------------

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

<b>Philippine Stock Exchange</b>	<b>Common stock</b>
----------------------------------	---------------------

12. Indicate by check mark whether the registrant:

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

Yes	[ <input checked="" type="checkbox"/> ]	No	[ <input type="checkbox"/> ]
-----	---	----	------------------------------

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

Yes	[ <input checked="" type="checkbox"/> ]	No	[ <input type="checkbox"/> ]
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**PART I – ITEM 1 - FINANCIAL STATEMENTS**

**MABUHAY HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2020 AND DECEMBER 31, 2019**  
**(All amounts in Philippine Peso)**

	Notes	Unaudited June 30, 2020	Audited December 31, 2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	2	₱235,722,155	₱181,600,097
Financial assets at fair value through profit or loss	3	148,940,187	224,282,097
Notes receivables	4	-	60,000,000
Other current assets	5	8,266,764	7,205,152
Total current assets		392,929,106	473,087,346
<b>Non-Current Assets</b>			
Property and equipment, net	6	1,332,985	1,569,732
Investment properties	7	466,995,000	466,995,000
Total non-current assets		468,327,985	468,564,732
<b>TOTAL ASSETS</b>		<b>₱861,257,091</b>	<b>₱941,652,078</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and other current liabilities	8	₱10,759,699	₱12,253,231
Borrowings	9,13	13,624,642	13,624,642
Advances from related parties	13	9,002,150	9,002,267
Provision for litigation claims	17	47,770,052	47,770,052
Deposit for future share subscriptions	10	194,695,274	194,695,274
Total current liabilities		275,851,817	277,345,466
<b>Non-Current Liabilities</b>			
Provision for retirement benefits		3,004,170	3,004,170
Deferred income tax liabilities, net		168,141,338	168,141,338
Total non-current liabilities		171,145,508	171,145,508
Total Liabilities		446,997,325	448,490,974
<b>EQUITY</b>			
Attributable to Shareholders of the Parent Company			
Share capital	11	₱975,534,053	₱975,534,053
Treasury shares	11	(58,627,864)	(58,627,864)
Retained earnings (deficit)		(662,260,379)	(587,193,449)
		254,645,810	329,712,740
Non-controlling interest		159,613,956	163,448,364
Total equity		414,259,766	493,161,104
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>₱861,257,091</b>	<b>₱941,652,078</b>

*See accompanying notes to consolidated financial statements.*

**MABUHAY HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF TOTAL COMPREHENSIVE INCOME**  
**FOR THE PERIODS ENDED JUNE 30, 2020 AND 2019**

(All amounts in Philippine Peso)

Unaudited

	Notes	Quarters Ended		Year-to-Date	
		April 1 - June 30	2019	January 1 - June 30	2019
<b>INCOME</b>					
Rental	7	₱1,316,449	₱1,953,785	₱3,263,162	₱3,858,378
Unrealized gain on revaluation of securities		24,951,046	28,998,503	-	-
Gain on disposal of assets		-	-	-	227,866
Others		36,818	38,096	45,947	169,143
		26,304,313	30,990,384	3,309,109	4,255,387
<b>EXPENSES</b>					
Salaries and employee benefits	15	1,423,014	2,267,386	3,084,648	3,921,522
Depreciation		118,375	182,177	236,747	525,066
Professional fees		186,911	238,671	395,403	446,875
Unrealized loss on revaluation of securities		-	-	75,341,910	66,967,540
Other operating expenses	16	1,114,389	2,850,389	4,454,211	6,928,117
		2,842,689	5,538,623	83,512,919	78,789,120
<b>INCOME (LOSS) FROM OPERATIONS</b>		23,461,624	25,451,761	(80,203,810)	(74,533,733)
<b>FINANCE INCOME (COST)</b>					
Interest income	2,4	295,008	5,952,547	1,464,066	12,365,620
Foreign exchange gains (losses), net		(127,834)	(59,152)	(95,688)	(146,294)
		167,174	5,893,395	1,368,378	12,219,326
<b>INCOME (LOSS) BEFORE INCOME TAX</b>		23,628,798	31,345,156	(78,835,432)	(62,314,407)
<b>PROVISION FOR INCOME TAX</b>		26,329	419,683	65,906	677,178
<b>NET INCOME (LOSS)</b>		23,602,469	30,925,473	(78,901,338)	(62,991,585)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
		-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		₱23,602,469	₱30,925,473	(₱78,901,338)	(₱62,991,585)
<b>NET INCOME (LOSS) ATTRIBUTABLE TO:</b>					
Shareholders of the Parent Company		₱22,884,875	₱27,285,635	(₱75,066,930)	(₱64,398,661)
Non-controlling interest		717,594	3,639,838	(3,834,408)	1,407,076
		₱23,602,469	₱30,925,473	(₱78,901,338)	(₱62,991,585)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>					
Shareholders of the Parent Company		₱22,884,875	₱27,285,635	(₱75,066,930)	(₱64,398,661)
Non-controlling interest		717,594	3,639,838	(3,834,408)	1,407,076
		₱23,602,469	₱30,925,473	(₱78,901,338)	(₱62,991,585)
<b>Basic and diluted earnings (loss) per share attributable to shareholders of the Parent Company</b>					
		0.02346	0.02797	(0.07695)	(0.06601)

See accompanying notes to consolidated financial statements.

**MABUHAY HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE PERIODS ENDED JUNE 30, 2020 AND 2019**

(All amounts in Philippine Peso)

Unaudited

	Equity Holders of the Company			Non- controlling Interest	Total
	Share Capital (Note 11)	Treasury Shares (Note 11)	Retained Earnings (Deficit)		
Balances at December 31, 2018	₱975,534,053	(₱58,627,864)	(₱372,020,560)	₱153,294,604	₱698,180,233
Comprehensive Income (Loss)					
Net income (loss) for the period	-	-	(64,398,661)	1,407,076	(62,991,585)
Other comprehensive loss	-	-	-	-	-
Total comprehensive income (loss) for the period	-	-	(64,398,661)	1,407,076	(62,991,585)
Balances at June 30, 2019	₱975,534,053	(₱58,627,864)	(₱436,419,221)	₱154,701,680	₱635,188,648
Balances at December 31, 2019	₱975,534,053	(₱58,627,864)	(₱587,193,449)	₱163,448,364	₱493,161,104
Comprehensive Income (Loss)					
Net income (loss) for the period	-	-	(75,066,930)	(3,834,408)	(78,901,338)
Other comprehensive income	-	-	-	-	-
Total comprehensive income (loss) for the period	-	-	(75,066,930)	(3,834,408)	(78,901,338)
Balances at June 30, 2020	₱975,534,053	(₱58,627,864)	(₱662,260,379)	₱159,613,956	₱414,259,766

*See accompanying notes to consolidated financial statements.*

**MABUHAY HOLDINGS CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE PERIODS ENDED JUNE 30, 2020 AND 2019****(All amounts in Philippine Peso)****Unaudited**

	Jan 1 - June 30 2020	Jan 1 - June 30 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
INCOME (LOSS) BEFORE INCOME TAX	(₱78,835,432)	(₱62,314,407)
Adjustments for:		
Unrealized loss on revaluation of securities	75,341,910	66,967,540
Depreciation	236,747	525,066
Gain on disposal of assets	-	(227,866)
Interest income	-	(12,365,620)
Dividend income	(45,947)	(69,143)
Operating profit (loss) before working capital changes	(3,302,722)	(7,484,430)
Decrease (increase) in:		
Notes receivables	60,000,000	(405,693)
Other current assets	(1,127,518)	(212,418)
Increase (decrease) in:		
Accounts payable and other current liabilities	(1,493,532)	626,401
Advances from related parties	(117)	(101)
Cash provided by (used in) operating activities	54,076,111	(7,476,241)
Interest received	-	4,112,622
Dividend received	45,947	69,143
Net cash provided by (used in) operating activities	54,122,058	(3,294,476)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of securities	-	1,863,814
Additional investment in securities	-	(4,410,540)
Net cash provided by (used in) investing activities	-	(2,546,726)
<b>NET INCREASE (DECREASE) IN CASH</b>	54,122,058	(5,841,202)
<b>Cash at January 1</b>	181,600,097	193,312,456
<b>Cash at June 30</b>	₱235,722,155	₱187,471,254

*See accompanying notes to consolidated financial statements.*

**MABUHAY HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED AGING OF RECEIVABLES**  
**AS OF JUNE 30, 2020**

	<b>TOTAL</b>	<b>1-30 DAYS</b>	<b>31-60 DAYS</b>	<b>OVER 61 DAYS</b>
Phil. Infradev Holdings, Inc. (formerly IRC Properties, Inc. )	918,580	325,932	296,324	296,324
Sta. Mesa Heights Holdings Corp.	574,872			574,872
Eduardo V. de Mesa	600,000			600,000
Castillo Laman Tan Pantaleon	110,120			110,120
Others	3,180,310	339,816		2,840,494
<b>Totals</b>	<b>₱5,383,882</b>	<b>₱665,748</b>	<b>₱296,324</b>	<b>₱4,421,810</b>



## **Mabuhay Holdings Corporation and Subsidiaries**

Notes to Consolidated Financial Statements

As at June 30, 2020 and December 31, 2019

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

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

Mabuhay Holdings Corporation (the Company or Parent Company) was incorporated in the Philippines on April 6, 1988 primarily to engage in the acquisition of and disposal of investments in marketable securities, shares of stock and real estate properties. The Parent 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 Parent Company's common shares were listed in the Philippine 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 Company and its subsidiaries (the "Group") have no significant commercial operations as at June 30, 2020 and December 31, 2019. The subsidiaries' operations consist mainly of preservation and maintenance of existing investment properties.

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, Inc.) (PIHI), by assisting it to secure funding for its residential development projects in its Binangonan Property. These projects of PIHI 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 PIHI.

The 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 June 30, 2020 and December 31, 2019.

### **Note 2 - Cash**

The account at June 30 and December 31 consists of:

	June 30, 2020	Dec 31, 2019
Cash in banks	235,706,155	181,585,097
Cash on hand	16,000	15,000
	235,722,155	181,600,097

Cash in banks earn interest at the prevailing bank deposit rates.

### **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 period ended June 30, 2020 and the year ended December 31, 2019 are as follows:

	June 30, 2020	Dec 31, 2019
Balance as at January 1	224,282,097	392936944
Additions	-	4410540
Disposals	-	(1,635,947)
Loss on revaluation of securities	(75,341,910)	(171429440)
Balance as at December 31	148,940,187	224,282,097

The account as at June 30, 2020 and December 31, 2019 consists of listed equity shares with fair value based on current bid prices in an active market (level 1 valuation). Changes in fair values of financial assets at fair value through profit or loss are recorded in unrealized gain (loss) on revaluation of securities in profit or loss.

In 2018, the Group reclassified its investments in PIHI shares previously held as an investment in an associate to Financial Assets at FVPL as a result of the divestment of the Group's significant influence in PIHI.

In 2019, the Parent Company subscribed to additional stock rights with a total cost of P4,410,540. In 2019, the Parent Company sold listed equity shares with fair value of P1,635,948 resulting in a gain of P227,866. The proceeds for both were collected during the sale period.

#### **Note 4 - Notes receivables**

Notes receivable (including interest) amounts to P60.00 million as at December 31, 2019 and P0 as of June 30, 2020.

Notes receivable represents loans granted to PIHI without definite payment terms and bears annual interest rates ranging from 12% to 18%. The account also includes accrued interest receivable. These loans are due and demandable at reporting dates.

During 2019, the Group and PIHI have continuously engaged in several discussions for the final settlement of the outstanding principal, interest and rent receivables. There were no collections made in 2019. The Group issued its demand letters to PIHI for the full collection of the outstanding receivables. As at December 31, 2019, the Group's outstanding receivables with PIHI amounted to P120.80 million in notes and interest receivables and P3.78 million in rent receivables totalling P124.58 million.

On June 12, 2020, the Group and PIHI entered into a final settlement agreement wherein PIHI will pay P60.00 million on or before June 15, 2020 to settle the outstanding receivables of the Group. The settlement is considered as an adjusting subsequent event. Accordingly, the remaining uncollectible receivables portion amounting to P64.58 million were written-off for the year ended December 31, 2019. The settlement amount was fully collected on June 15, 2020.

#### **Note 5 - Other current assets**

The account at June 30 and December 31 consists of:

	June 30, 2020	Dec 31, 2019
Prepayments	2,882,882	2,718,180
Other receivables -		
Advances to third parties	3,114,675	3,114,272
Due from related parties	421,373	209,676
Rent receivable	961,558	-
Advances to employees	267,230	283,000
Others	619,046	880,024
	5,383,882	4,486,972
	8,266,764	7,205,152

Prepayments mainly comprise of prepaid taxes and insurance. Other receivables pertain to communication, utilities, repairs and maintenance billed to its tenants.

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

Details of property and equipment as at and for the periods ended June 30, 2020 and December 31, 2019 follow:

	Furniture and fixtures	Office equipment	Communication and other equipment	Office condominium	Transportation equipment	Building improvements	Total
<b>COST</b>							
Balances as at December 31, 2019	1,662,116	760,592	185,182	13,746,305	7,530,090	3,859,242	27,743,527
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Balances as at June 30, 2020	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 December 31, 2019	1,662,116	722,308	177,323	13,746,305	6,006,501	3,859,242	26,173,795
Additions	-	10,031	1,474	-	225,242	-	236,747
Disposals	-	-	-	-	-	-	-
Balances as at June 30, 2020	1,662,116	732,339	178,797	13,746,305	6,231,743	3,859,242	26,410,542
<b>NET BOOK VALUES</b>							
December 31, 2019	-	38,284	7,859	-	1,523,589	-	1,569,732
June 30, 2020	-	28,253	6,385	-	1,298,347	-	1,332,985

Depreciation expense of P236,747 is charged to expenses. There were no disposals during the period.

## **Note 7 - Investment properties**

The Group's investment properties include several parcels of land and condominium units 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 8 - Accounts payable and other current liabilities**

The account at June 30 and December 31 consists of:

	June 30, 2020	Dec 31, 2019
Accounts payable and other accrued expenses	7,877,693	9,229,930
Accrued interest on borrowings	2,879,506	2,879,506
Income taxes payable	-	85,304
Others	2,500	58,491
	10,759,699	12,253,231

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 at June 30 and December 31 consist of unsecured short-term interest-bearing loans obtained from the following:

	June 30, 2020	Dec 31, 2019
Third party	-	-
Related party	13,624,642	13,624,642
	13,624,642	13,624,642

The net debt reconciliation as at June 30 and December 31 is presented below:

	June 30, 2020	Dec 31, 2019
Borrowings as at beginning of period	13,624,642	13,624,642
Changes arising from:		
Cash flows	-	-
Non-cash flows	-	-
Borrowings as at end of period	13,624,642	13,624,642
Cash as at end of period	(235,722,155)	(181,600,097)
Net debt as at end of period	(222,097,513)	(167,975,455)

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

In 1997, the Parent Company received from certain shareholders deposits on future stock subscriptions amounting to P241.62 million. Movements of P46.93 million in 2008 pertain to cancellation of subscription with the amount previously received as deposits applied against the Group's advances to concerned shareholders. There were no movements in the account for 2020 and 2019.

It is the intention of the shareholders that these balances represent deposits for future capital subscription. However, the plan of the Company's management has been put on hold and such has been presented as liability only for the purpose of complying with Financial Reporting Bulletin No. 6 issued by SEC. The management considers issuing equivalent equity ownership upon development of concrete plans on the improvement of the operations of the Company.

### **Note 11 - Equity**

#### *(a) Share capital*

Share capital at June 30, 2020 and December 31, 2019 consist of:

Common shares – P1 par value	
Authorized	4,000,000,000
Subscribed and issued	1,200,000,000
Subscriptions receivable	(224,465,947)
Paid, issued and outstanding	975,534,053
Treasury shares	(58,627,864)
	916,906,189

(b) *Treasury shares*

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

**Note 12 - Basic and diluted earnings per share**

The computation of basic earnings per share for the period ended June 30 and December 31 follows:

	2020	2019
Net income (loss) attributable to shareholders of the Parent Company	(₱75,066,930)	(₱215,172,889)
Divided by the average no. of outstanding common shares	975,534,053	975,534,053
Basic earnings (loss) per share	(0.07695)	(0.2206)

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

**Note 13- Related party transactions**

The Group's transactions with related parties include those with associates and other related parties described below:

a) Due from related parties

Details of the accounts at June 30 and December 31 follow:

	June 30, 2020	Dec 31, 2019
Entities under common control		
Intrinsic Value Management (IVM)		
Phil. Strategic International Holdings Inc. (PSIHI)		
South China Sea Holdings Corporation (SCHC)	421,373	209,676

b) Due to related parties

This account is composed of advances from the following related parties which were obtained for working capital purposes:

	June 30, 2020	Dec 31, 2019
Borrowings from		
Entity under common control		
Intrinsic Value Management (IVM)	13,624,642	13,624,642
Advances from		
Entity under common control		
Intrinsic Value Management (IVM)		
Phil. Strategic International Holdings Inc. (PSIHI)	9,002,150	9,002,267

The above advances are non-interest bearing and are payable on demand thus, considered current.

**Note 14 - Leases**

In 2009, the Company occupied a portion of its investment property and converted it into an office space. The portion which is owner-occupied is properly reclassified as property and equipment (Notes 6 and 7). The remaining portion is leased to other parties.

**Note 15- Salaries and employee benefits**

Salaries and employee benefits for the period January 1 to June 30, 2020 and 2019 consist of:

	June 30, 2020	June 30, 2019
Salaries and wages	1,659,461	1,975,626
SSS, Philhealth and HDMF	108,909	62,620
Others	1,316,278	1,883,276
	3,084,648	3,921,522

**Note 16 – Other Operating expenses**

Other operating expenses for the period January 1 to June 30, 2020 and 2019 consist of:

	June 30, 2020	June 30, 2019
Taxes and licenses	210,584	1,387,180
Transportation and travel	878,673	1,538,118
Communication, light and water	214,627	348,666
Other fees	250,000	250,000
Miscellaneous	2,900,327	3,404,153
	4,454,211	6,928,117

**Note 17- Contingencies**

In the normal course of business, the Group is a defendant of 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 corporation which was formerly a co-shareholder of the Parent Company. 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 Group. 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 Group.

After divergent decisions by the arbitrator and regional trial court, the case was transferred to Court of Appeals for further proceedings. In 2013, a final decision has been rendered by the Court of Appeals, instructing the Company to pay the agreed guaranteed returns and arbitration costs including 12% interest calculated from the date of initial ruling amounting to P47,770,052 as shown in the statement of financial position under current liabilities.

**Note 18 - Financial risk and capital management**

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.

The 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 impacts on the Group's financial performance due to the unpredictability of financial markets.

## **18.1 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 reasonably possible movement in foreign currency exchange rates is based on projection by the Company using five year moving average historical experience.

### *(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 6) 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.

### *(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 and borrowings. 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.

## **18.2 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.

## **18.3 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.

## **18.4 Fair value of financial assets and liabilities**

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

## **18.5 Fair value hierarchy**

The Group follows the fair value measurement hierarchy to disclose the fair values of its financial assets and liabilities. As at June 30, 2020 and December 31, 2019, 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.

## **18.6 Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern. For this purpose, capital is represented by total equity as shown in the consolidated statement of financial position, as well as deposit for future share subscriptions presented under liabilities.

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 June 30, 2020 and December 31, 2019. The Group's main objective is to ensure it has adequate funds moving forward to support its short-term and long-term plans..

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.

## **Note 19 - Critical accounting estimate and judgment**

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions 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.

### **19.1 Critical accounting estimate**

#### *Estimate of fair value of investment properties*

The following are the significant assumptions used by the independent appraiser to calculate the investment properties of the Group.

- current prices in an active market for properties of similar nature, condition or location, adjusted to reflect possible differences; 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 2020 and 2019 amounted to P466.995 million. Where the estimated market value differs by 10% from management's estimates, the carrying amount of investment properties would have been P46.7 million higher or lower.

#### *Retirement benefits*

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.

### **19.2 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.

#### *(b) Recognition of deferred income tax assets*

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.

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

Management consider that the Parent Company has de facto control over TAC, MAC, TICI 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 2019 and 2018 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*

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 P466.995 million as at June 30, 2020 and December 31, 2019. No impairment loss was recognized on investment properties for the period ended June 30, 2020 and the year ended December 31, 2019.

*(e) Provision for litigation claims*

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 June 30, 2020 and December 31, 2019 and is shown as a separate line item in the consolidated statement of financial position.

*(f) Contingency*

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 20 - 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.

**20.1 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 19.

**20.2 Changes in accounting policy 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 20.26.

*(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.

### **20.3 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group as at June 30, 2020 and December 31, 2019. 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.

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.

#### *(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.

## **20.4 Cash**

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

## **20.5 Financial instruments**

### **20.5.1 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 June 30, 2020 and December 31, 2019, 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 and notes and other receivables.

*(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) and advances from related parties.

#### 20.5.2 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.

#### 20.5.3 Impairment

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.

#### 20.5.4 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.

#### 20.5.5 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 June 30, 2019 and December 31, 2018, there are no financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements.

#### 20.5.6 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.

## **20.6 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 20.5.

## **20.7 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.

## **20.8 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 year in which they are incurred.

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

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

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.

### **20.9 Investment properties**

Investment property is 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 freehold office buildings, is held for long-term rental yields and is not occupied by the Group. Investment property is carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are recorded in profit or loss as part of other income.

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 financial period in which they are incurred.

Removal of an item within investment property is triggered by a change in use, by sale or disposal. If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its 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.

### **20.10 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 investment properties are classified under Level 1 and Level 2, respectively.

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

Assets that have an indefinite useful life - for example, land - are not subject to amortization and are tested annually for impairment. Assets that have definite useful life are subject to amortization and 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 purposes 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 for which an impairment loss has been recognized are reviewed for possible reversal of the impairment at each reporting date. An allowance is set-up for any substantial and presumably permanent decline in value of investments.

### **20.12 Accounts payable and other liabilities**

Accounts payable and other 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 liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Accounts payable and other 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 liabilities and other financial liabilities are presented in Note 20.5.

### **20.13 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.

## **20.14 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.

## **20.15 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 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 charge 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 associates. 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 on either the taxable entity or different taxable entities 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.



## **20.16 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.

## **20.17 Subscription payable**

Subscription payable represents unpaid portion of share capital subscriptions initially measured at fair value and subsequently measured at amortized cost using effective interest method. Subscription payable is derecognized when the obligation has been paid.

## **20.18 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 on future date.

Deposit for future share subscriptions is derecognized once share has been issued or the shareholder cancels the subscription.

## **20.19 Share capital**

### *(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.

## **20.20 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.

## **20.21 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 below.

*(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.

*(e) Expenses*

Expenses are recognized when they are incurred.

## **20.22 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.

## **20.23 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. 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.

## 20.24 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.

## 20.25 Contingency

Contingent liabilities are not recognized in the consolidated financial statements. They 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.

## 20.26 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 20.5.

#### *(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 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.

**20.27 Subsequent events (or events after the reporting date)**

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.

## **ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion should be read in conjunction with the Consolidated Financial Statements of the Registrant that are incorporated to this Report by reference. Such Consolidated Financial Statements have been prepared in accordance with Philippine Financial Reporting Standards.

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, Inc.) (PIHI), by assisting it to secure funding for its residential development projects in its Binangonan property. These projects of PIHI are expected to generate significant amount of sustainable income stream and operating cash flows to the Group.

After the Group sold a significant part of its shareholdings in PIHI in 2018, it plans to concentrate on the acquisition of properties for rental purposes 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 with its foreign business partners. Among the Group's short-term and long-term plans are: (a) to acquire developed properties with the intention of converting the properties for lease operations; (b) to acquire properties for development and to convert these properties for leases; (c) to acquire properties for development of affordable housing units as part of its corporate social responsibility to contribute to the housing requirements of the country; (d) to continue to retain its substantial remaining shares of stocks in PIHI for appreciation and eventual cash flows from future dividend declarations; and (e) to continue to retain its investment properties for appreciation, and to plan for possible development of the prime properties.

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

The above plans will contribute to improve the results of operation of the Group in the following years.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price 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.

The 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 impacts on the Group's financial performance due to the unpredictability of financial markets.

The Company's equity position is in compliance with the minimum statutory requirements applicable to public companies. Given the very limited operating activities undertaken by the Group, it does not require intensive capitalization. The Group's main objective is to ensure it has adequate capital moving forward to pursue its land disposal plans at optimum gain.

Other than its gear towards opening projects on affordable housing, the Group does not anticipate other heavy requirement for working capital in 2020.

### **Explanation to Accounts with Material Variance (June 2020 vs. December 2019)**

#### **Cash**

Increase of P54 million or 30% mainly due to collection of notes receivables from PIHI net of cash used for working capital.

#### **Financial assets at fair value through profit or loss**

Decrease of P75.3 million or 34% mainly due to the decline in fair value of the Group's remaining investments in PIHI shares from P1.25/share as of December 2019 to P0.82/share as of June 2020.

#### **Notes receivables**

Decrease of P60 million due to collection in full of the notes receivables. Please refer to discussion in Note 4 to the Consolidated Financial Statements.

#### **Other current assets**

Increase of P1.06 million or 15% mainly due to prepayments and rent receivables.

#### **Property and equipment, net**

Decrease of P237k or 15% mainly due to depreciation charges for the first two quarters of the year.

**Accounts payable and other current liabilities**

Decrease of P1.5 million or 12% mainly due to remittances and payments.

**Results of Financial Operations****January to June 2020 compared with January to June 2019**

A comparative review of the Registrant's financial operations for the six-month period ended June 30, 2020 vis-à-vis the same period of prior year showed the following:

Total revenues decreased by P946K or 22% mainly due to gain on disposal of assets in 2019 as compared to none in 2020. Rental income is lower by P595K in 2020. From P1.25/share as of December 31, 2019, the market price of the Company's investment in PIHI shares declined to P0.82/share as of June 30, 2020. This resulted in the recognition of unrealized loss on revaluation of securities of P75.3 million as of June 30, 2020 as shown in the consolidated statements of total comprehensive income.

Total expenses increased by P4.7M or 6% mainly due to the unrealized loss on revaluation of securities. Net Finance Income (Costs) decreased by P10.85M mainly due to interest income on notes receivables from PIHI as an effect of the settlement as discussed in Note 4 to the Consolidated Financial Statements. Foreign exchange losses registered at P96K in 2020 as compared to P146K in 2019.

Net loss before income taxes registered at P78.8M for the first two quarters of 2020 as compared to P62.3 million in 2019. Net loss after income taxes registered at P78.9M and P62.99M for 2020 and 2019, respectively.

**April to June 2020 compared with April to June 2019**

For the quarter April to June 2020, the market price of PIHI shares slightly recovered and improved, from P0.68/share as of March 31, 2020 to P0.82/share as of June 30, 2020. Hence, the unrealized loss of P100.3M recognized for the first quarter is offset by an unrealized gain of P25M in the second quarter, or a net unrealized loss of P75.3M as of June 30, 2020. There are no finance costs in the second quarter of 2020 other than foreign exchange losses. This resulted to a net income of P23.6 million for the period April to June 2020.

There is no significant element of income that did not arise from the Registrant's continuing operations, neither is the Company's operations affected by any seasonality or cyclical trends.

**Discussion of Material Events/Uncertainties Known to Management that would Address the Past and Impact on Future Operations**

The Company does not have any material commitment for capital expenditures, in the short-term. It is not under any pressing obligation to pay its advances to affiliates. The Company has enough resources to cover payment of liabilities through the sale of some of its marketable securities. In the event that the Company will be required to settle its liabilities to third parties, it can do so by selling its listed securities and calling for payment of its notes and accounts receivable.

The Company does not have any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships with unconsolidated entities or other persons created during the reporting period.

**ITEM 3 - KEY PERFORMANCE INDICATORS**

The Company's key performance indicators are the following:

	<u>June 30, 2020</u>	<u>Dec. 31, 2019</u>
Net profit (loss) ratio	(23.8437)	(2.5561)
Return on assets	(0.0916)	(0.2177)
Return on equity	(0.1905)	(0.4157)
Current ratio	1.4244	1.7058
Acid test ratio	1.4140	1.6960
Debt to equity	1.0790	0.9094
Debt to asset	0.5190	0.4763
Asset to equity	2.0790	1.9094
Interest coverage	-	-
Earnings (loss) per share	(0.0770)	(0.2206)

Notes:

- 1) Net profit ratio is computed by getting the ratio of Consolidated Net Income (Loss) to Total Revenues.
- 2) Return on assets is derived at by dividing Net income by Total Assets.
- 3) Return on Equity is arrived at by dividing Net income by Total Stockholders' equity.
- 4) Current Ratio is expressed as Current Assets : Current Liabilities.
- 5) Acid Test Ratio is expressed as total of Cash on hand and in banks + Financial assets at fair value+ Receivables : Current Liabilities.
- 6) Debt to equity is computed by dividing Total liabilities by Total stockholders' equity.
- 7) Debt to assets is expressed as Total liabilities: Total assets
- 8) Asset to equity is computed by dividing Total assets over Total stockholders' equity.
- 9) Interest coverage is arrived at by dividing Operating income by Interest expense.
- 10) Earnings (loss) per share is arrived at by dividing the Consolidated Net Income (Loss) attributable to Equity Holders of the Parent Company over the average no. of the outstanding common shares.

## **PART II – OTHER INFORMATION**

### **ITEM 4 - NON-APPLICABILITY OF OTHER SEC-REQUIRED NOTES**

Notes required to be disclosed but are not applicable to the Registrant are indicated below:

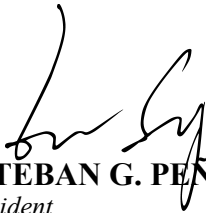
- a. Assets Subject to Lien and Restrictions on Sales of Assets
- b. Changes in Accounting Principles and Practices
- c. Defaults
- d. Preferred Shares
- e. Pension and Retirement Plans
- f. Restrictions which Limit the Availability of Retained Earnings for Dividend Purposes
- g. Significant Changes in Bonds, Mortgages and Similar Debt
- h. Registration with the Board of Investments (BOI)
- i. Foreign Exchange losses Capitalized as part of Property, Plant & Equipment
- j. Deferred Losses Arising from Long-Term Foreign Exchange Liabilities
- k. Segment Reporting
- l. Disclosure not made under SEC Form 17-C: None

**SIGNATURES**

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

**MABUHAY HOLDINGS CORPORATION**

Issuer



**ESTEBAN G. PEÑA SY**

*President*

Date: August 03, 2020



**GLORIA GEORGIA G. GARCIA**

*Treasurer & Chief Financial Officer*

Date: August 03, 2020