

# COVER SHEET

SEC Registration Number

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Company Name

[illegible]

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

[illegible]

Form Type

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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

**medco1@medco.com.ph**

Company's Telephone Number/s

**(02) 8811-0465**

Mobile Number

09178329662

No. of Stockholders

\_\_\_\_\_

Annual Meeting  
Month/Day

\_\_\_\_\_

Fiscal Year  
Month/Day

12/31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

**Dionisio E. Carpio, Jr.**

Email Address

**denniscarpio@medco.com.ph**

Telephone Number/s

**(02) 8811-0465**

Mobile Number

\_\_\_\_\_

Contact Person's Address

**31<sup>st</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**  
**Metro Manila, Philippines**

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

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1. For the year ended **December 31, 2021**
2. SEC Identification Number **39652**                      3. BIR Tax Identification No. **004-844-938**
4. **Medco Holdings, Inc.**  
Exact name of registrant as specified in its charter
5. **Metro Manila, Philippines**                      6.  (SEC Use Only)  
Province, Country or other jurisdiction of                      Industry Classification Code:  
incorporation or organization
7. **31st Floor, Rufino Pacific Tower, 6784 Ayala Avenue,**  
**Makati City, Metro Manila, Philippines**                      **1229**  
Address of principal office                      Postal Code
8. Registrant's telephone number, including area code: **(632) 8811-0465 to 66**
9. Former name, former address, and former fiscal year, if changed since last report. **Not applicable.**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec 4 and 8 of the RSA

<u>Title of each class</u>	<u>Number of shares of common stock outstanding and amount of debt outstanding</u>
<b>Common</b>	<b>3,159,292,441 shares (P0.05 par value per share)</b>

11. Are any or all of these securities listed on a Stock Exchange. Yes [ / ]      No [   ]

<u>Philippine Stock Exchange (PSE)</u>	<u>Common</u>
Name of Stock Exchange	Class of securities listed therein

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) - 1 thereunder and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports). Yes [ / ]      No [   ]
- (b) has been subject to such filing requirements for the past 90 days.      Yes [ / ]      No [   ]
13. As at December 31, 2021, the aggregate market value of the voting stock held by non-affiliates of the registrant was P209,796,614 (based on the closing price of P0.33 per share on December 16, 2021).

## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1. Business

#### (2). Business of Issuer

Medco Holdings, Inc. ("MHI" or "MED" or the "Corporation") is an investment holding company listed on the Philippine Stock Exchange ("PSE"). It was incorporated in the Philippines on October 23, 1969 as the Mindanao Exploration & Development Corporation and adopted its current name in 1995.

In 1995, Citivest Asia Limited ("Citivest"), a corporation organized under the laws of the British Virgin Islands, acquired approximately 67% of the outstanding capital stock of the Corporation. In 1997, Citivest purchased additional MED shares which increased its equity stake to 70.67%.

Prior to Citivest's acquisition of a majority interest in the Corporation, MHI was engaged in mineral exploration and development. With the entry of Citivest, the Corporation embarked on a major corporate shift that resulted in its transformation into an investment holding company. In line with the change in its primary business purpose, the Corporation had previously sold all its rights, titles, interests including all liabilities and obligations in its mining lease contracts and operating agreements to South Seas Oil & Mineral Exploration Development Co., Inc.

Thereafter, the Corporation has been engaged in investment holding activities. It does not produce or sell any product, or render any service. At present, its investment portfolio is comprised of holdings in companies involved in financial services and the operation of exhibition halls and conference facilities for trade development.

In 2005, Citivest divested a portion of its shareholdings in the Corporation thereby reducing its equity stake to approximately 46%.

In 2018, following the equity restructuring and recapitalization plan implemented during the year and the issuance of new shares, Bonham Strand Investments Ltd. (BSIL) acquired 69.67% ownership over the Corporation. BSIL is an entity engaged in investment holding and registered in the British Virgin Islands. As a result of dilution, the equity stake of Citivest declined to 10.20%.

Details of the affiliated companies and their activities as at December 31, 2021 are as follows:

<u>Name</u>	<u>Place of incorporation</u>	<u>Fully paid-up common share capital</u>	<u>Percentage of direct equity ownership of MHI</u>	<u>Principal Activities</u>
Export & Industry Bank, Inc (In receivership)	Philippines	₱4,734,452,540	2.45%	Commercial banking
Manila Exposition Complex, Inc.	Philippines	₱165,000,000	18.18%	Exhibition hall operation

#### ***Export & Industry Bank, Inc. ("Exportbank") (In receivership)***

Exportbank was engaged in the business of commercial banking and of trust and funds management, and exercised all the powers of a commercial bank, trust company, and a corporation in general, as provided for under the General Banking Act, as amended, the rules and regulations of the Bangko Sentral ng Pilipinas, the Corporation Code of the Philippines and other applicable laws.

On April 26, 2012, the Monetary Board in its Resolution No. 686 decided to prohibit Export and Industry Bank, Inc. from doing business in the Philippines and to place its assets and affairs under receivership pursuant to Section 30 of the Republic Act (R.A) No. 7653 (the New Central Bank Act). The Philippine Deposit Insurance Corporation was designated as Receiver of the said commercial bank.

***Other Affiliate***

Manila Exposition Complex, Inc. (MEC) is not a significant affiliate of the Corporation.

***Percentage of Sales or Revenues and Net Income Contributed by Foreign Sales***

During the year under review, there were no sales or revenues and net income contributed by foreign sale.

***Distribution Methods of the Products or Services***

Being just an investment holding company, the Corporation, does not produce or sell any product, or offer any service.

***Status of any publicly-announced new products or service***

None.

***Competition***

None.

***Sources and Availability of Raw Materials and Names of Principal Suppliers.***

The Corporation is not into manufacturing and has no need of raw materials for its businesses.

***Dependence on Single Customer***

None.

***Transactions with Related Parties***

The Corporation borrows funds occasionally for its working capital requirements. Apart from these borrowings, there are no other transactions with related parties.

***Expiration of Patents, Trademarks, Copyrights, Licenses, Franchise, Concessions and Royalty Agreements.***

The Corporation has not entered into agreements related to patents, trademarks, copyrights, licenses, franchise, concessions and royalty.

***Need for Government Approvals of Principal Products or Services.***

None.

***Effects of Existing or Probable Governmental Regulations***

The Corporation is subject to the rules and regulations of the SEC and the PSE. It is complying with existing government regulations which have been beneficial to its business. The Corporation is not aware of any probable government regulation that could have any adverse effect on its business.

***Cost on Development Activities***

None.

## **Cost and Effects of Compliance with Environmental Laws**

None.

## **Total Number of Employees and Number of Full –Time Employees.**

As of December 31, 2021, the Corporation had two (2) employees. One is the company driver, and the other one is an administrative personnel. The Corporation does not anticipate any increase in the number of its employees within the ensuing twelve (12) months. There were no employees covered by a Collective Bargaining Agreement. There are no supplemental benefits or incentive arrangements. The Corporation's employees are not on strike and have never gone on strike in the past.

## **Item 2. Properties**

As at the end of 2021, the Corporation did not own any real property. It is leasing office space in a condominium unit at the 31st Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, Metro Manila, owned by Capital Place International Limited.

## **Item 3. Legal Proceedings**

As at December 31, 2021 and as far as the management of the Corporation is aware, there are no pending material legal proceedings to which the Corporation is a party or of which any of its property is the subject.

## **Item 4. Submission of Matters to a Vote of Security Holders**

Not applicable.

## **OPERATIONAL AND FINANCIAL INFORMATION**

## **Item 5. Market for Issuer's Common Equity and Related Stockholder Matters**

### **Market Information**

The Corporation's common shares are listed and traded on the PSE.

The high and low price of such common shares for the first quarter of 2022 were as follows:

<u>1st Quarter</u>	
<u>High</u>	<u>Low</u>
P0.34	P0.28

The high and low prices for each quarter of 2021 were as follows:

<u>1st Quarter</u>		<u>2<sup>nd</sup> Quarter</u>		<u>3rd Quarter</u>		<u>4<sup>th</sup> Quarter</u>	
<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
P0.62	P0.36	P0.45	P0.37	P0.41	P0.32	P0.35	P0.28

The high and low prices for each quarter of 2020 were as follows:

<u>1st Quarter</u>		<u>2<sup>nd</sup> Quarter</u>		<u>3rd Quarter</u>		<u>4<sup>th</sup> Quarter</u>	
<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
P0.53	P0.21	P0.37	P0.26	P0.44	P0.26	P0.42	P0.27

### *Recent Sales of Unregistered Securities*

On 24 April 2018, MED issued: (1) 2,201,179,241 common shares to Bonham Strand Investments Ltd. for a total subscription price of P110,058,962.05 and (2) 258,113,200 common shares to Mr. Xu Hanjiang for a total subscription price of P12,905,660.00. The issuance of the common shares was an exempt transaction under Section 10(k) of the Securities Regulation Code (The sale of securities by an issuer to fewer than twenty (20) persons in the Philippines during any twelve-month period is an exempt transaction).

### *Holders, Dividends and Sale of Unregistered Securities*

Based on the records of the Corporation's stock transfer office, Philippine Stock Transfer, Inc., as at December 31, 2021, there were 674 holders of the common stock of the Corporation.

The following are the Company's top 20 registered common stockholders holding listed and unlisted shares as of December 31, 2021:

	<b>Name</b>	<b>No. of Shares Held</b>	<b>% of Total</b>
1.	Bonham Strand Investments Ltd.	2,201,179,241	69.6732%
2.	PCD Nominee Corporation	340,813,156	10.7876%
3.	Citivist Asia Limited	322,314,874	10.2021%
4.	Xu Hanjiang	258,113,200	8.1700%
5.	Suncentury Asia Limited	34,500,000	1.0920%
6.	Gatchalian, Rexlon	1,000,000	0.0317%
7.	Lo, Eduardo	394,000	0.0125%
8.	Ibardolaza, Marita	100,000	0.0032%
9.	Chong, Lilian	50,000	0.0016%
10.	Bautista, Emmanuel T. &/or Bernardita P. Bautista	40,000	0.0013%
11.	Uy, Arturo &/or Arnel Uy	40,000	0.0013%
12.	Guevara, Anna Georgina	23,000	0.0007%
13.	Cua, Henry	20,000	0.0006%
14.	Libertad Development Corp.	20,000	0.0006%
15.	Ong, Lyn	20,000	0.0006%
16.	Ramos, Angela	20,000	0.0006%
17.	Avis, Jose T.	19,000	0.0006%
18.	Cua, Bernice Yang	10,011	0.0003%
19.	Banda, Jovita L.	10,000	0.0003%
20.	Dy, Aurora	10,000	0.0003%

As at December 31, 2021, the number of shares held by the public was 635,747,315 shares and the public ownership level of the Company is at 20.12%.

No cash dividends have been declared by the Corporation on its common stock for the last 10 years. The Corporation Code of the Philippines provides that dividends may only be declared out of unrestricted retained earnings. The directors will consider dividend payments after taking into account such factors as the Corporation's cash flow, future expansion plans and prevailing bank interest rates.

There were no sales of any unregistered securities of the Corporation within the past three years.

## Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion and analysis should be read in conjunction with Item 1 of this report and the Audited Financial Statements and the related Notes to Financial Statements in Exhibit 1 of this Report.

### ***Plan of Operation***

The Corporation implemented the following recapitalization plan after it was approved by the Securities and Exchange Commission (SEC) on April 24, 2018:

- (a) decrease in the authorized capital stock from P700,000,000 to P35,000,000 through a reduction in the par value per share from P1.00 to P0.05;
- (b) the use of the additional paid-in capital thereby created to reduce the outstanding deficit;
- (c) increase in authorized capital stock from P35,000,000 to P470,000,000; and,
- (d) the subscription by Bonham Strand Investments Ltd. and Mr. Xu Han Jiang to a total of 2,459,292,441 common shares issued out of the increase in authorized capital stock which was paid through the assignment of debts owed to said creditors amounting to P122,964,622.

With the implementation of its recapitalization plan, the Corporation achieved a turnaround in 2018 when it became profitable and earned a net income of P2,738,406 thereby posting retained earnings of P383,373,182 as of December 31, 2018.

In 2019, the Corporation was again profitable with a net income of P758,572 resulting in a further improvement in its stockholders' equity to P75,229,067.

The Corporation is confident that it can satisfy its cash requirements not only in the next twelve (12) months but also on a longer term basis. Its liquid assets as at December 31, 2021 consisted of P5 million of cash and cash equivalents. In case the Corporation has any unforeseen cash requirement that cannot be met by its internal sources, its external sources of liquidity would consist of, among others, advances from its affiliate companies and/or major shareholders.

As of December 31, 2021, there were two (2) employees of the Corporation. One is the company driver, and the other one is an administrative personnel. The Company does not anticipate any increase in the number of its employees within the ensuing twelve (12) months.

### ***Results of Operations for the years ended December 31, 2021, 2020 and 2019***

#### **2021**

Total revenues for the year ended 2021 decreased by 81% compared to the previous year's figure. The Corporation's revenues for this year consisted mainly of interest income from short-term placements and bank deposits (91%), and foreign exchange gain (9%).

The significant decline in revenues was mainly due to the reduction of interest income. This was the result of the substantial reduction in the short-term placements due to the withdrawals for the Corporation's working capital requirement. In addition, the bank interest rates for said short-term placements this year were lower, ranging from 0.40% to 0.55% per annum as compared to last year's interest rates of 0.50% to 2.50% per annum.

On the other hand, total expenses increased by approximately 15% compared to the prior year. During the year under review, expenses comprised mainly of employee benefits (46%), professional fees (14%), interest expense (10%), occupancy (5%), membership fees and dues (4%), and other expenses (21%).

The increase in the 2021 expenses was mainly due to the mutually-agreed interest charge paid to Manila Exposition Complex, Inc. (MECI) on the unremitted first (1<sup>st</sup>) tranche of the capital call. Professional fees also increased by 19% this year as compared to last year's figure, due to the payment of professional fee for the engagement of the services of a law firm. Employee benefits also increased due to the payment of prior years' health card renewal premiums which were only billed this year.

Other components of expenses such as transportation, membership fees and dues, communication, as well other expenses, declined in 2021. This was the result of the Corporation's continuing cost-cutting measures.

## **2020**

Total revenues for the year ended 2020 decreased by 97% compared to the previous year's figure. During the year under review, the revenues consisted solely of interest income from short-term time deposit placements and savings accounts with local banks.

The significant decline in revenues was mainly due to the 100% decline in dividend income and 58% reduction in interest income.

No cash dividend was received from Manila Exposition Complex, Inc. (MEC) for the year 2020 due to the negative impact of the COVID-19 pandemic in its operations. Interest income also contracted because of the decrease in the deposit placements of the Corporation due to the withdrawals for its working capital requirement. Furthermore, interest rates for short-term placements also decreased from a range of 2.40% to 5.25% in 2019 to 0.50% to 2.50% in 2020.

On the expense side, total expenses declined by 2% compared to the previous year's figure. During the year under review, expenses were mainly comprised of salaries and employee benefits (51%), professional and management fees (14%), occupancy (6%), membership fees and dues (5%), transportation (4%), representation (4%) and other expenses (16%).

The decline in the 2020 expenses was mainly due to the decrease in communication expenses. Mailing costs for the distribution of the Definitive Information Statement were incurred for the regular and special stockholders' meeting held in 2019. In 2020, the regular stockholders' meeting was held online and there was no special stockholders' meeting held. As a consequence of not holding a special stockholders' meeting in 2020, directors' per diem also decreased by approximately 17%.

Other components of expenses such as representation, employee benefits, transportation, taxes and licenses, as well other expenses, also posted a decrease in the year under review. This was the result of the Corporation's continuing cost-cutting measures. However, the professional fees increased by 24% this year as compared to last year's figure. This was due to the payment of professional services for the incorporation of Medco Investments Limited in the British Virgin Islands and the economic substance annual reporting which were both rendered by Comsec Worldwide Limited.

## **2019**

Total revenues for the year ended 2019 decreased by 29% compared to the previous year. The Corporation's revenues for this year consisted of dividend income (93%) and interest income from short-term placements and bank deposits (7%).

The decrease in revenues was mainly due to the dividend income received from Manila Exposition Complex, Inc. (MEC) which was lower by 33% as compared to the previous year.



Interest income, however, increased because of the additional time deposit placements during the year with a corresponding higher interest rate as compared to last year.

On the other hand, total expenses decreased by approximately 12% compared to the prior year. The expenses for this year were composed of employee benefits (51%), professional fees (11%), occupancy (6%), membership fees & dues (5%), transportation (5%), representation (4%) and other expenses (18%).

The decrease in this year's expenses was mainly due to the lower amount of taxes & licenses paid by the Corporation. In 2018, documentary stamp tax was paid in relation to the original issuance of MED shares to Bonham Strand Investments Ltd. and Mr Xu Hanjiang. No payment of this nature was incurred in 2019. This year's membership fees and dues also decreased by 19% as compared to last year.

Other components of expenses such as representation and employee benefits also posted a decrease in the year under review. This was the result of the Corporation's continuing cost-cutting measures.

### ***Financial Condition and Changes in Financial Condition as of December 31, 2021, 2020 and 2019***

#### **2021**

As to the balance sheet as at the end of 2021, total assets decreased by 9% compared to the previous year. Total assets were composed of financial assets at fair value through other comprehensive income (86%), cash and cash equivalents (13%), and receivables (2%).

The decrease was mainly due to the 55% drop in cash and cash equivalents which was used to meet the Corporation's working capital requirement. However, there was a 7% increase in the Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) account due to the higher fair value of the Corporation's investment in Manila Exposition Complex, Inc. (MEC). As determined by the Corporation's auditors, the fair value of said investment for this year amounted to P34,531,079 as compared to last year's figure of P32,273,202. The receivables account also increased by 12% due to the advances granted to related parties.

On the other hand, there was a 7% increase on the liabilities side this year compared to the prior year. This increase was due to the recognition of a higher amount of post-employment benefit obligation this year.

As at December 31, 2021, the total shareholders' fund of the Corporation amounted to P34.5. million.

#### **2020**

With reference to the statement of financial position, total assets decreased by 45% compared to last year's figure. Total assets were composed of financial assets at fair value through other comprehensive income (73%), cash and cash equivalents (25%), receivables and other assets (2%).

Significant movements were noted in some components thereof, specifically in the financial assets at fair value through other comprehensive income (FVOCI) and cash and cash equivalent accounts. The decline in total assets was mainly due to the lower fair value of the Corporation's investment in MEC. Per valuation of Punongbayan & Araullo's audit team, the fair value of said investment for this year amounted to P32,273,202 as compared to last year's fair value of P63,497,773. Thus, there was a 49% decline in the fair value of said investment as at the end of 2020. As discussed in the foregoing results of operations for 2020, cash and cash equivalents account likewise declined by 31%.

On the other hand, there was a 6% increase on the liabilities side this year as compared to the prior year. The increase was due to the amount of the post-employment benefit obligation recognized this year which was 20% higher as compared to year 2019.

As at December 31, 2020, the total shareholders' fund of the Corporation amounted to P38.6 million.

## **2019**

With respect to the balance sheet as at the end of 2019, there was a 35% increase in total assets as compared to the previous year. Total assets were composed of financial assets at fair value through other comprehensive income (79%), cash and cash equivalents (20%) and receivables, due from related parties and other assets (1%).

The increase in the total assets was mainly due to the 46% increase in the Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) account due to the higher fair value of the Corporation's investment in Manila Exposition Complex, Inc. (MEC). As determined by our auditors, the fair value of said investment for this year amounted to P63,497,773 as compared to last year's figure of P43,457,288.

On the other hand, there was a slight decrease on the liabilities side this year as compared to the prior year. The decrease was due to the lower amount of the post-employment benefit obligation recognized this year.

As at December 31, 2019, the total shareholders' fund of the Corporation amounted to P75.2 million.

## ***Prospects for 2022***

Regrettably, the country's economy continued to be severely impacted by the persistent COVID-19 pandemic in 2021. It is encouraging though that the strict community quarantine restrictions implemented by the Philippine government has produced a significant alleviation of the number of daily infections starting in December 2021 up to the present. It is our hope that this positive development can be maintained and will allow more and more business sectors to gradually restart their operations and thereby revive local economic activity during the remaining months of the year. There is now a brightening prospect that 2022 will be a better year than 2021 for the Corporation if its affiliate MEC can resume its operations shortly and perhaps resume paying dividends later this year.

## ***Key Variable and Other Qualitative and Quantitative Factors***

The Corporation is not aware of any trends, events or uncertainties that would materially affect its liquidity and its operations as a whole. There are also no material commitments for capital expenditure or any significant elements of income or loss from continuing operations. The Corporation does not also anticipate any liquidity problem within the next twelve (12) months. The Corporation has no default or breach of any note, loan, lease or other indebtedness or financing arrangement. There are also no past due trade payables.

The Corporation's internal sources of short-term and long-term liquidity are its liquid assets which as at December 31, 2021 consisted of P5 million of cash and cash equivalents. Its external sources of liquidity would consist of advances from its affiliate companies and/or major shareholders.

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

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

Furthermore, there were no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. Aside from those already mentioned above, the Corporation is also not aware of any events that will cause a material change in the relationship between the costs and revenues.

**The top five (5) performance indicators of the Corporation for the past three (3) fiscal years are presented below:**

- a. Revenue Growth- This measures how fast the Corporation's business is expanding. The ratio shows the annualized rate of increase (or decrease) of the Corporation's revenues.
- b. Net Income Growth- Similar to revenue growth, this ratio is an indicator of the rate of growth of the Corporation's bottom line figure.
- c. Return on Equity- For an investor who wants to have an indication of his investment returns, this ratio provides such a measure.
- d. Current Ratio- This ratio measures the Corporation's ability to pay its currently maturing obligations.
- e. Debt-to-Equity Ratio- This ratio offers a method of assessing the Corporation's financial health and gauging the balance sheet durability.

**Medco Holdings, Inc.**  
**Top Five (5) Performance Indicators**  
**December 31, 2021 2020 and 2019**

		2021	2020	2019
1. Revenue Growth	$\frac{\text{Revenue Y1-Y0}}{\text{Revenue Y0}}$	-81.09%	-96.88%	-29.44%
2. Net Income Growth*	$\frac{\text{Net Income Y1-Y0}}{\text{Net Income Y0}}$	NA	NA	-72.30%
3. Return on Equity	$\frac{\text{Net Income}}{\text{Stockholders' Equity}}$	-18.23%	-13.83%	1.01%
4. Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.70x	3.51x	4.99x
5. Debt-to-Equity-Ratio	$\frac{\text{Total Liabilities}}{\text{Stockholders' Equity}}$	0.17x	0.14x	0.07x

\*Net Loss in 2021 and 2020

Note:

Y1= Current year

Y0= Previous year

**Item 7. Financial Statements**

The Financial Statements and related Notes to Financial Statements of MHI for the past 3 years ended 31 December 2021 appear on the Index to Financial Statements and Supplementary Schedules page of this Report.

**Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

NONE

### **PART III - CONTROL AND COMPENSATION INFORMATION**

#### **Item 9. Directors and Executive Officers of the Registrant**

##### **(1) Directors and Positions Held/Business Experience for the Last Five (5) Years**

The members of the Corporation's Board of Directors as at December 31, 2021 together with a brief description of their other positions held and business experience for the last five years are enumerated as follows:

BOBBY CHENG SAI CHONG, British, aged seventy-three (73), has been a director of the Corporation since September 18, 2006 and has been appointed as the Chairman of the Board of Directors on July 23, 2009. He has more than thirty (30) years experience in banking and finance. He attended the Barnard College in Hong Kong and took up a course in Commerce and Finance.

DIONISIO E. CARPIO, JR., Filipino, aged seventy-five (75), has been a director of the Corporation since 1998 and its President from September 2006 up to present. He was the treasurer of the Corporation from 1998 to 2006. He is currently also a director of Manila Exposition Complex, Inc. Mr. Carpio holds a Bachelor of Science degree in Mechanical Engineering from the De La Salle University and a Masters degree in Business Management from the Asian Institute of Management. He has more than forty (40) years experience in commercial, investment and trust banking, as well as line management.

EDNA D. REYES, Filipino, aged seventy-four (74), has been a director of the Corporation since 2000 and was its Treasurer between 2006 and 2007. She was also the Chairperson of the Board of MAIC until April 27, 2017. She has more than forty (40) years of experience in banking, particularly in international and correspondent banking as well as foreign operations. She has a Bachelor of Science degree in Commerce from the University of Santo Tomas.

PAULINE C. TAN, Filipino, aged fifty-two (52), has been a director of the Corporation since 2009. She has been the treasurer and compliance officer of the Corporation since September 20, 2007. She worked in The Hong Kong Chinese Bank Limited in 1994. She was a director of Lippo Securities, Inc. and of MAIC from 1995 to 1999 and of Manila Exposition Complex, Inc. from 1995 to 2000 and from 2012 to the present. She was also the Managing Director of Sun Hung Kai Securities Philippines, Inc. from 1999 to June 2000. She has a Bachelor of Arts degree in Mass Communication from St. Scholastica's College.

MAGHER S. BAUL, Filipino, aged thirty-three (33) was elected as a director of the Corporation on January 11, 2019. She is a Junior Partner at Jovellanos-Kho, Malcontento and Associates Law Offices (formerly Kho, Bustos, Malcontento and Argosino Law Offices). Ms. Baul is a member of the Philippine bar. She holds a Bachelor of Science in Legal Management and a Bachelor of Laws degree from San Beda College.

RODOLFO B. FERNANDEZ, Filipino, aged sixty-five (65), has more than thirty-five years of experience in banking, particularly in Trust and Estate Planning, Corporate and Retail Banking, Compliance and Good Governance and as Chief Legal Officer and General Counsel. Atty. Fernandez is an Independent Director of Crown Equities, Inc. and a Director and Legal Consultant of RG Financial Services Inc. He is a member of the Integrated Bar of the Philippines and the Tax Management Association of the Philippines and holds a Bachelor of Laws degree from the University of the Philippines.

JUAN VICTOR S. TANJUATCO, aged seventy-four (74), is an Independent Director of Premium Leisure Corp., IP Ventures, Inc., and a Director of Ketmar Fast Food Corporation and MCORD Fast Food Corporation. Previously, he served in the same capacity on the board of Insular Savings Bank and Asiatruster Development Bank. A career banker, he was the former President of Export and Industry Bank and previously held various executive positions at Credit Agricole Indosuez in Manila, New Zealand and Hongkong, where, after 21 years, he retired as Deputy General Manager in Manila. Mr. Tanjuatco holds a Bachelor of Arts Degree in Economics from the Ateneo de Manila University (cum laude) and a

Masters in Business Administration, major in Finance, from the Wharton School, University of Pennsylvania.

#### Executive Officers

The following are the principal officers of the Corporation:

Chairman of the Board	-	Bobby Cheng Sai Chong
President/Corporate Information Officer	-	Dionisio E. Carpio, Jr.
Corporate Secretary	-	Jonas S. Khaw
Treasurer/Assistant Corporate Secretary	-	Pauline C. Tan

In addition to those already shown above, the following is description of the other positions held by the remaining principal officers and their business experience for the last five years:

JONAS S. KHAW, Filipino, aged forty-one (41), is the corporate secretary of the Corporation. He has been the corporate secretary since 15 December 2017 up to the present. He is a member of the Philippine Bar and a partner in the law firm Picazo Buyco Tan Fider & Santos. Atty. Khaw holds a Juris Doctor and Bachelor of Science in Management Engineering degrees both from the Ateneo de Manila University. He is also the Assistant Corporate Secretary of Bloomberry Resorts Corporation, a publicly listed company.

#### (2) Significant Employees

There are no other employees who are expected by the Corporation to make a significant contribution to its business. Moreover, the business of the Corporation is not highly dependent on the services of key personnel.

#### (3) Family Relationship

None.

#### (4) Involvement in Certain Legal Proceedings

Based on their individual responses after due inquiry as of December 31, 2021, none of the following events occurred with respect to any of the foregoing nominees and executive officers during the past five (5) years that would be material to an evaluation of their ability or integrity to act as directors or executive officers of the Corporation, except as otherwise provided below:

- (a) Any bankruptcy petition filed by or against any business of which the nominee was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time.
- (b) Any conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (c) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the nominee's involvement in any type of business, securities, commodities or banking activities; and
- (d) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

## Item 10. Executive Compensation

### (1) Annual Compensation of the Top Executive Officers of the Corporation

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary</b>	<b>Bonus</b>	<b>Other Annual Compensation</b>
Dionisio E. Carpio, Jr. (President)	2020	None	None	P45,000
	2021	None	None	P45,000
	2022 (Estimated)	None	None	P45,000
Pauline C. Tan (Treasurer and Compliance Officer)	2020	P2,340,000	None	P45,000
	2021	P2,340,000	None	P45,000
	2022 (Estimated)	P2,340,000	None	P45,000
All Top Executive Officers and Directors as a group	2020	P2,340,000	None	P321,000
	2021	P2,340,000	None	P321,000
	2022 (Estimated)	P2,340,000	None	P321,000

#### Notes:

1. The aforementioned Other Annual Compensation consists only *per diems* given to directors.
2. Each Director receives *per diems* of P2,000 for each board meeting.
3. The Corporate Secretary does not receive a salary but his law firm is paid a professional retainer fee.

### (2) Compensation of Directors

Since the dates of their election, except for *per diems*, the Directors have served without compensation. Except for *per diems*, the Directors did not receive any other amount or form of compensation for committee participation or special assignments.

The Amended By-laws of the Corporation does not provide for compensation for the directors. As of the date of this Information Statement, no standard arrangements have been made in respect of director compensation. For the ensuing year, the Corporation does not foresee payment of compensation for directors, except reasonable *per diems* annually for each director. The Corporation, however, does not discount the possibility that director compensation other than reasonable *per diems* may be given in the future.

(3) Pursuant to Article VI, Section 8 of the Amended By-Laws of the Corporation, such compensation may be fixed by the directors with the approval of a majority of the stockholders and will in no case exceed 10% of the net income before income tax of the Corporation for the preceding year.

### (a) Employment Contracts

There are no formal employment contracts between the Corporation and its executive officers and other officers. The terms and conditions of their employment are governed by applicable laws.

### (b) Compensatory Plan or Arrangement

There are formal compensatory plans or arrangements between the Corporation and its executive officers and other officers.

(c) Warrants and Options Outstanding

There are no outstanding warrants and options held by the Corporation's directors, executive officers and other officers.

Item 11. Security Ownership of Certain Beneficial Owners and Management-

*Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Corporation's Outstanding Stock as of December 31, 2021:*

Title of class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of class
Common	Bonham Strand Investments Ltd. c/o 19 Keppel Road #03-05, JA Poh Building, Singapore (Parent Company of the Issuer)	Millenium Empire Holdings, Ltd. Quijano & Associates (BVI) Limited, P.O. Box 3159, Road Town, Tortola, British Virgin Islands (Parent Company of the Record Owner)	Foreign	2,201,179,241	69.6732%
Common	PCD Nominee Corp. Makati Stock Exchange Bldg., Ayala Avenue Makati City (No Relationship with Issuer)	Various beneficial owners	Filipino/Others	340,813,156	10.7876%
Common	Citivist Asia Limited c/o Room 2301, Tower One, Lippo Centre, 89 Queensway Hong Kong (Significant Shareholder of the Issuer)	Citivist Asia Limited c/o Room 2301, Tower One, Lippo Centre, 89 Queensway Hong Kong	Foreign	322,314,874	10.2021%
Common	Xu Hanjiang The Office Tower Convention Plaza Suite 1607, I Harbour Road, Wanchai, Hongkong (No Relationship with Issuer)	Xu Hanjiang The Office Tower Convention Plaza Suite 1607, I Harbour Road, Wanchai, Hongkong	Foreign	258,113,200	8.1700%



## Security Ownership of Management

To the extent known to the Board of Directors, as of December 31, 2021, there is no security beneficial ownership of Management, other than the shares held for their own account by the following directors:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percent of Ownership
Common Stock	Dionisio E. Carpio, Jr.	1,000	(direct)	Filipino	Nil
Common Stock	Edna D. Reyes	50,000	(direct)	Filipino	Nil
	TOTAL	51,000			

Aside from the above, Mr. Carpio and the other directors hold qualifying shares in the Corporation.

Voting Trust Holders of 5% or More - None

Changes in Control - None

## Item 12. Certain Relationships and Related Transactions (See Note 12 of the Notes to the Financial Statements)

The Corporation in the ordinary course of business, grants and obtains advances to and from related parties as well as non-related third parties.

## Item 13. Corporate Governance

- a. Evaluation System established by the Corporation to measure or determine the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance.

The Corporation has accomplished and submitted its Corporate Governance Self-Rating Form ("CG-SRF") to the SEC. The Corporation reviews the specific policies and regulations on the CG-SRF and determines whether it fully complies with it. Any deviation is immediately discussed among the members of the management. As of this date, the Corporation has sufficiently complied with its Manual on Corporate Governance. There has been no deviation from the Manual on Corporate Governance. At the end of each fiscal year, the Corporation submits a certification of the attendance of its directors in meetings of the Board of Directors with such attendance having consistently complied with regulatory requirements.

- b. Measures being undertaken by the Corporation to fully comply with the adopted leading practices on good corporate governance.

To strictly observe and implement the provisions of its Manual of Corporate Governance, the following penalties are imposed, after notice and hearing, on the Corporation's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of the Manual of Corporate Governance:

- In case of first violation, the subject person shall be reprimanded.
- Suspension from office shall be imposed in case of second violation.
- The duration of the suspension shall depend on the gravity of the violation.
- For third violation, the maximum penalty of removal from office shall be imposed.

The commission of a third violation of the Manual of Corporate Governance by any member of the board of the Corporation or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.

The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

- c. Any deviation from the Corporation's Manual of Corporate Governance. Including a disclosure of the name and position of the persons involved and sanctions imposed on said individual.

As of this date, the Corporation has sufficiently complied with its Manual on Corporate Governance. There has been no deviation from the Manual on Corporate Governance.

- d. Any plan to improve corporate governance of the Corporation.

The Corporation accomplishes and submits its Corporate Governance Self-Rating Form ("CG-SRF") to the SEC annually. The Corporation reviews the specific policies and regulations on the CG-SRF and determines whether it fully complies with it. Any deviation is immediately discussed among the members of the management.

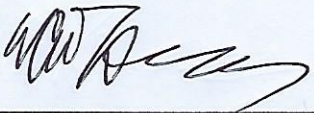
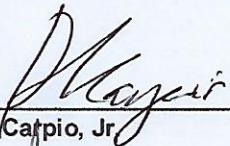
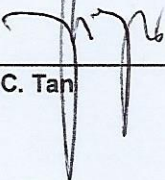
Attached as Annex A of this Annual Report is the Sustainability Report of the Corporation.

#### **PART IV - EXHIBITS AND SCHEDULES**

	<b><u>Page/Incorporation by Reference</u></b>
(1) Financial Statements Balance Sheets Statements of Income Statements of Cash Flow Notes to Financial Statements	Please see accompanying Index to Financial Statements and Supplementary Schedules
(2) Sustainability Report of the Corporation	Annex A
(3) Plan of Acquisition	not applicable
(4) Instruments Defining the Rights of Securities Holders	not applicable
(5) Voting Trust Agreement	not applicable
(6) Annual Report to Security Holders	not applicable
(7) Change in Certifying Accountant	not applicable
(8) Report furnished to Security Holders	not applicable
(9) Subsidiaries of the Registrant	not applicable
(10) Published Report Regarding Matter Submitted to Vote of Security Holders	not applicable
(11) Consents of Experts and Independent Counsel	not applicable
(12) Power of Attorney	not applicable

## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this Report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on February 28, 2022.

<u>Signature</u>	<u>Capacity</u>
 _____ Sai Chong Cheng	Chairman of the Board
 _____ Dionisio E. Carpio, Jr.	President
 _____ Pauline C. Tan	Treasurer

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY ) S.S.

**MAR 22 2022**  
SUBSCRIBED AND SWORN to before me this \_\_\_\_\_, affiants exhibiting to  
me their Senior Citizen ID/SSS Numbers as follows:

NAMES	SSS / PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Sai Chong Cheng	15061	April 12, 2010	Quezon City
Dionisio E. Carpio, Jr	03-1710841-7		Manila
Pauline C. Tan	33-0293610-9		Manila

Doc. No. 418;  
Page No. 84;  
Book No. 16;  
Series of 2022

  
ATTY. JOSE N. SUCION  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2023  
U-203 CARREON BLDG.  
2746 ZENaida ST. POBLACION, MAKATI CITY  
IBP NO. 103458/01/02/2022  
PTR NO. 8851817/01/03/2022  
MCLE COMPLAINT NO. VI-0018184/2-28-19  
ROLL NO. 60799  
APPOINTMENT NO. M-078





The management of **Medco Holdings, Inc.** (the Company) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2021 and 2020, 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 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.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

**Dionisio E. Carpio, Jr.**  
President  
TIN 115-321-387

**Pauline C. Tan**  
Treasurer  
TIN 100-666-150

Signed this 28<sup>th</sup> day of February 2022

MAR 22 2022

## NAKATI CITY

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_, affiants exhibiting to me their Senior Citizen ID/SSS Numbers as follows:

Sai Chong Cheng  
Dionisio E. Carpio, Jr.  
Pauline C. Tan

15061  
03-1710841-7  
33-0293610-9

April 12, 2010/Quezon City, Philippines  
Manila, Philippines  
Manila, Philippines

Doc. No. 5113  
Page No. 84  
Book No. 96  
Series of 2022

ATTY. JOSE LINO N. SUCION  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2023  
U-203 CARREON BLDG.  
2746 ZENAIDA ST. POBLACION, MAKATI CITY  
IBP NO. 169458/01/02/2022  
PTR NO. 8851817/01/03/2022  
MOBILE COMM. NO. 0917100011219  
la Avenue, Makati City 1229, Philippines  
to 66 Fax: (632) 8840-3549  
ROLL NO. 50799  
APPOINTMENT NO. M-078

31/F Rufino Pacific Tower, 6784 Ayala Avenue, Makati City 1229, Philippines  
Tels.: (632) 8811-0465 to 66 Fax: (632) 8840-3549



Financial Statements and  
Independent Auditors' Report

**Medco Holdings, Inc**

December 31, 2021, 2020 and 2019



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**Punongbayan & Araullo**

20th Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 8988 2288

## Report of Independent Auditors

### The Board of Directors and the Stockholders

**Medco Holdings, Inc.**

**(A Subsidiary of Bonham Strand Investments Ltd.)**

31<sup>st</sup> Floor, Rufino Pacific Tower

6784 Ayala Avenue, Makati City

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Medco Holdings, Inc. (the Company), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRS).

#### 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company 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 audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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**Certified Public Accountants**

Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd.

[grantthornton.com.ph](http://grantthornton.com.ph)

***Emphasis of a Matter***

We draw attention to Note 1 to the financial statements, which describes management's assessment of the continuing impact on the Company's financial statements of the business disruption brought by the COVID-19 pandemic. Our opinion is not modified in respect of this matter.

***Key Audit Matters***

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

***Valuation of Financial Assets at Fair Value Through Other Comprehensive Income******Description of the Matter***

The fair valuation of the financial assets of the Company is considered a key area of focus in our audit due to the use of significant quantitative unobservable inputs in computing the market value of these financial assets. The Company has unquoted equity securities classified as Financial Assets at Fair Value through Other Comprehensive Income (FVOCI). The fair value of the financial assets is determined using the market approach – price/book value and net asset valuation approach.

The fair value of the Company's financial assets at fair value through other comprehensive income amounted to P34,531,079 and P32,273,202 as of December 31, 2021 and 2020, respectively.

***How the Matter was Addressed in the Audit***

Our audit procedures to address the risk of material misstatement relating to the valuation of financial assets at FVOCI included, among others, the items enumerated below.

- Assessing the reasonableness of unobservable inputs used and evaluating the valuation techniques used by the management.
- Comparing the methodologies applied and assumptions used by the management with our expectations and emerging market activities.
- Reviewing the formulas used in fair market valuation and recomputing the fair values based on inputs and methodologies applied.

The Company's disclosures about the details of the Financial Assets at Fair Value through Other Comprehensive Income account are presented in Note 7 to the financial statements.





**Other Information**

Management is responsible for the other information. The other information comprises the information included in the Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

Our opinion on the 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 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 financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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.

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

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, 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.



## Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2021 required by the Bureau of Internal Revenue as disclosed in Note 19 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the 2021 audit resulting in this independent auditors' report is Nelson J. Dinio.

### PUNONGBAYAN & ARAULLO

  
By: **Nelson J. Dinio**  
Partner

CPA Reg. No. 0097048  
TIN 201-771-632  
PTR No. 8852332, January 3, 2022, Makati City  
SEC Group A Accreditation  
Partner - No. 97048-SEC (until Dec. 31, 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-032-2019 (until Sept. 4, 2022)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 28, 2022



2022  
FEB 28  
AM

**MEDCO HOLDINGS, INC.**  
*(A Subsidiary of Bonham Strand Investments Ltd.)*  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2021 AND 2020**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
<b><u>A S S E T S</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	P 5,029,155	P 11,096,858
Receivables - net	8	671,747	600,389
Total Current Assets		5,700,902	11,697,247
<b>NON-CURRENT ASSETS</b>			
Financial assets at fair value through other comprehensive income	7	34,531,079	32,273,202
Other assets - net	9	-	59
Total Non-current Assets		34,531,079	32,273,261
<b>TOTAL ASSETS</b>		<b>P 40,231,981</b>	<b>P 43,970,508</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Accrued expenses and other liabilities	10	P 197,096	P 180,322
Due to related parties	12	3,150,000	3,150,000
Total Current Liabilities		3,347,096	3,330,322
<b>NON-CURRENT LIABILITY</b>			
Post-employment defined benefit obligation	13	2,401,168	2,048,858
Total Liabilities		5,748,264	5,379,180
<b>EQUITY</b>			
Capital stock	5	157,964,622	157,964,622
Additional paid-in capital	5	25,498,912	25,498,912
Revaluation reserves - net	7, 13	( 521,487,362 )	( 523,666,244 )
Retained earnings	5	372,507,545	378,794,038
Total Equity	5	34,483,717	38,591,328
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 40,231,981</b>	<b>P 43,970,508</b>





**MEDCO HOLDINGS, INC.**  
*(A Subsidiary of Bonham Strand Investments Ltd.)*  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**  
*(Amounts in Philippine Pesos)*

	Notes	2021	2020	2019
<b>INCOME</b>				
Interest income	6	P 34,885	P 201,770	P 475,259
Foreign exchange gains - net		3,270	-	-
Dividends	7	-	-	6,000,000
		<u>38,155</u>	<u>201,770</u>	<u>6,475,259</u>
<b>EXPENSES</b>				
Salaries and employee benefits	13	2,934,178	2,827,448	2,866,795
Professional and management fees		900,000	755,205	607,900
Net interest expense	7, 13	637,190	97,337	120,207
Occupancy	12	312,000	312,000	312,000
Membership fees and dues		260,575	268,575	258,575
Transportation		220,141	237,521	255,139
Representation		220,128	220,533	239,689
Impairment losses	9, 12	198,273	160,531	149,272
Communication		40,815	41,813	144,938
Taxes and licenses		18,351	17,635	18,602
Foreign exchange losses - net		-	3,210	2,353
Others	11	576,024	557,326	646,105
		<u>6,317,675</u>	<u>5,499,134</u>	<u>5,621,575</u>
<b>INCOME (LOSS) BEFORE TAX</b>		<b>( 6,279,520 )</b>	<b>( 5,297,364 )</b>	<b>853,684</b>
<b>TAX EXPENSE</b>	14	<u>6,973</u>	<u>40,352</u>	<u>95,112</u>
<b>NET INCOME (LOSS)</b>		<b>( 6,286,493 )</b>	<b>( 5,337,716 )</b>	<b>758,572</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Items that will not be reclassified subsequently to profit or loss</b>				
Fair value gain (loss) on financial assets at fair value through other comprehensive income	7	2,257,877	( 31,224,571 )	20,040,485
Remeasurements of post-employment defined benefit obligation	13	( 78,995 )	( 75,452 )	60,824
<b>Other Comprehensive Income (Loss)</b>		<u>2,178,882</u>	<u>( 31,300,023 )</u>	<u>20,101,309</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>( P 4,107,611 )</b>	<b>( P 36,637,739 )</b>	<b>P 20,859,881</b>
<b>Basic and Diluted Earnings (Loss) Per Share</b>	15	<b>( P 0.0020 )</b>	<b>( P 0.0017 )</b>	<b>P 0.0002</b>

See Notes to Financial Statements



**MEDCO HOLDINGS, INC.**  
*(A Subsidiary of Bonham Strand Investments Ltd.)*  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**  
*(Amounts in Philippine Pesos)*

	<u>Capital Stock</u> <u>(see Note 5)</u>	<u>Additional</u> <u>Paid-in Capital</u> <u>(see Note 5)</u>	<u>Revaluation</u> <u>Reserves - net</u> <u>(see Notes 7 and 13)</u>	<u>Retained Earnings</u> <u>(see Note 5)</u>	<u>Total Equity</u>
Balance at January 1, 2021	P 157,964,622	P 25,498,912	( P 523,666,244 )	P 378,794,038	P 38,591,328
Total comprehensive income (loss)	-	-	2,178,882	( 6,286,493 )	( 4,107,611 )
Balance at December 31, 2021	<u>P 157,964,622</u>	<u>P 25,498,912</u>	<u>( P 521,487,362 )</u>	<u>P 372,507,545</u>	<u>P 34,483,717</u>
Balance at January 1, 2020	P 157,964,622	P 25,498,912	( P 492,366,221 )	P 384,131,754	P 75,229,067
Total comprehensive loss	-	-	( 31,300,023 )	( 5,337,716 )	( 36,637,739 )
Balance at December 31, 2020	<u>P 157,964,622</u>	<u>P 25,498,912</u>	<u>( P 523,666,244 )</u>	<u>P 378,794,038</u>	<u>P 38,591,328</u>
Balance at January 1, 2019	P 157,964,622	P 25,498,912	( P 512,467,530 )	P 383,373,182	P 54,369,186
Total comprehensive income	-	-	20,101,309	758,572	20,859,881
Balance at December 31, 2019	<u>P 157,964,622</u>	<u>P 25,498,912</u>	<u>( P 492,366,221 )</u>	<u>P 384,131,754</u>	<u>P 75,229,067</u>

*See Notes to Financial Statements.*



**MEDCO HOLDINGS, INC.**  
*(A Subsidiary of Bonham Strand Investments Ltd.)*  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**  
*(Amounts in Philippine Pesos)*

	Notes	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before tax		( P 6,279,520 )	( P 5,297,364 )	P 853,684
Adjustments for:				
Interest expense	7	568,553	-	-
Impairment losses	9, 12	198,273	160,531	149,272
Interest income	6	( 34,885 )	( 201,770 )	( 475,259 )
Unrealized foreign exchange losses (gains) - net		( 3,270 )	3,210	2,353
Dividend income	7	-	-	( 6,000,000 )
Operating loss before working capital changes		( 5,550,849 )	( 5,335,393 )	( 5,469,950 )
Decrease (increase) in receivables		( 70,371 )	24,859	42,407
Decrease in other assets		( 198,214 )	( 158,531 )	( 149,272 )
Increase in post-employment benefit obligation		273,315	259,725	-
Increase (decrease) in accrued expenses and other liabilities		16,774	( 40,304 )	3,536
Cash used in operations		( 5,529,345 )	( 5,249,644 )	( 5,573,279 )
Interest received		33,898	199,708	458,174
Cash paid for interest charges	7	( 568,553 )	-	-
Cash paid for final taxes	14	( 6,973 )	( 40,352 )	( 95,112 )
Net Cash Used in Operating Activities		( 6,070,973 )	( 5,090,288 )	( 5,210,217 )
<b>CASH FLOWS FROM AN INVESTING ACTIVITY</b>				
Dividends received	7	-	-	6,000,000
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		3,270	( 3,210 )	( 2,353 )
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		( 6,067,703 )	( 5,093,498 )	787,430
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		11,096,858	16,190,356	15,402,926
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 5,029,155	P 11,096,858	P 16,190,356

**Supplemental Information on a Non-cash Investing Activity –**

The Company has recognized fair value gain in 2021 and 2019 amounting to P2,257,877 and P20,040,485, respectively, and fair value loss in 2020 amounting to P31,224,571 from its investment in Manila Exposition Complex (see Note 7).

See Notes to Financial Statements.



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**MEDCO HOLDINGS, INC.**  
*(A Subsidiary of Bonham Strand Investments Ltd.)*  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021, 2020 and 2019**  
*(Amounts in Philippine Pesos)*

**1. GENERAL INFORMATION**

***1.1 Corporate Information***

Medco Holdings, Inc. (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on October 23, 1969. The Company currently conducts business as an investment holding company. Its shares of stock are publicly traded at the Philippine Stock Exchange (PSE).

The Company is a subsidiary of Bonham Strand Investments Ltd. (BSIL) with an ownership of 69.67%. BSIL is an entity engaged in investment holding and registered in British Virgin Islands.

The registered office address of the Company, which is also its principal place of business, is located at 31<sup>st</sup> Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City. The registered office address of BSIL, which is also its principal place of business, is Akara Building, 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands.

***1.2 Continuing Impact of COVID-19 Pandemic on the Company's Business***

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020 and its impact has been continuing until the date of the approval of these financial statements. The measures taken by the government to contain the virus have adversely affected local economic conditions and the Company's business operations.

The following are the impact of the COVID-19 pandemic to the Company's operations:

- no dividends have been received for 2021 and 2020 from its investment; and,
- additional administrative expenses were incurred to ensure health and safety of its employees and customers such as the frequent disinfection of facilities and COVID-19 testing for its employees

In response to this matter, the Company has taken the following actions:

- all delivered or incoming documents and supplies are being thoroughly disinfected and disinfection facilities, such as a shoe-sole-disinfecting mat and an isopropyl alcohol hand-cleaning dispenser are placed at or near the front door entrance;
- two senior staff members have been designated to perform the duties of in-house health officers on a rotating basis to look after the employees' health needs; and,
- a health care room has been earmarked for the exclusive purpose of attending to infirmed employees and provided with basic test instruments and emergency medical supplies to facilitate the monitoring and early treatment of such employees.

Based on the above actions and measures taken by management to mitigate the adverse effect of the pandemic, it projects that the Company would again be able to report positive results of operations in the succeeding years and would remain liquid to meet current obligation as it falls due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

### ***1.3 Approval of Financial Statements***

The financial statements of the Company as at and for the year ended December 31, 2021 (including the comparative financial statements as at December 31, 2020 and for the years ended December 31, 2020 and 2019) were authorized for issue by the Company's Board of Directors (BOD) on February 28, 2022.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all years presented, unless otherwise stated.

### ***2.1 Basis of Preparation of Financial Statements***

#### ***(a) Statement of Compliance with Philippine Financial Reporting Standards***

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The Company has qualified as a small entity (SE) based on the criteria set by the SEC. Entities qualifying as SEs are required to use the Philippine Financial Reporting Standard for SEs as their financial reporting framework. However, due to the exemptions from SEC being a listed entity, the Company has opted to use PFRS in the preparation of its financial statements.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

#### ***(b) Presentation of Financial Statements***

The financial statements are prepared in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income and expenses and other comprehensive income (losses) in a single statement of comprehensive income.



The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

## **2.2 Adoption of New and Amended PFRS**

(a) *Effective in 2021 that is Relevant to the Company*

The amendments to PFRS 16, *Leases – COVID-19-Related Rent Concessions beyond June 30, 2021*, which is effective from April 1, 2021 is relevant to the Company's financial statements. The amendment extends for one year the use of practical expedient, not to assess whether rent concessions reducing payments up until June 30, 2022 occurring as a direct consequence of the COVID-19 pandemic are lease modification and instead to account for those rent concessions as if they are not lease modifications. The application of these amendments had no significant impact to the Company's financial statements as the Company did not receive any rent concessions to its lessee in 2021.

(b) *Effective Subsequent to 2021 but not Adopted Early*

There are amendments and annual improvements to existing standards effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Company's financial statements:

- (i) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022)
- (ii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Company:
  - PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities*
  - Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*

- (iii) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (iv) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)
- (v) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)
- (vi) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

### **2.3 Financial Instruments**

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions in the financial instrument.

#### **(a) Financial Assets**

For purposes of classifying financial assets, an instrument is considered an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

#### **(i) Classification, Measurement and Reclassification of Financial Assets**

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described below and in the succeeding pages.

##### *Financial Assets at Amortized Cost*

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

All financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses (ECL).

The Company's financial assets at amortized cost are presented in the statement of financial position as Cash and Cash Equivalents and Receivables - net.

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the statement of comprehensive income as Interest Income.

#### *Financial Assets at Fair Value Through Other Comprehensive Income*

The Company accounts for financial assets at fair value through other comprehensive income (FVOCI) if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell (“hold to collect and sell”); and,
- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Company for trading or as mandatorily required to be classified as fair value through profit or loss (FVTPL). The Company has designated equity instruments as at FVOCI.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income and are reported as part of Revaluation Reserves - net account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves - net account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account.

Any dividends earned on holding equity instruments are recognized under the Income section of the statement of comprehensive income, when the Company’s right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes.

A change in the objective of the Company's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(ii) *Evaluation of Impairment of Financial Assets*

The Company assesses its ECL on its financial assets carried at amortized cost on a forward-looking basis. Recognition of credit losses is no longer dependent on the Company's identification of a credit loss event. Instead, the Company considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

For cash and cash equivalents, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.
- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral or effect of any credit enhancement.
- *Exposure at default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(iii) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(b) *Financial Liabilities*

Financial liabilities, which include accrued expenses and other liabilities (except tax related liabilities included therein) and due to a related party, are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

(c) *Offsetting Financial Instruments*

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

**2.4 Other Assets**

Other assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

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 (see Note 2.9).

**2.5 Provisions and Contingencies**

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. 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. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

## ***2.6 Revenue and Expense Recognition***

Currently, the Company does not have any revenue source except those arising from financial assets which are under PFRS 9 (i.e., dividends and interest income).

Expenses are recognized in profit or loss upon utilization of the goods or services or at the date they are incurred.

## ***2.7 Leases - Company as Lessee***

For any new contracts entered into, the Company considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Company has elected to account for short-term leases using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

## **2.8 Foreign Currency Transactions and Translation**

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency 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.

## **2.9 Impairment of Non-financial Assets**

The Company's non-financial assets are subject to impairment testing. These assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

## **2.10 Employee Benefits**

The Company provides post-employment benefits to employees through a defined benefit plan, certain defined contribution plans, and other employee benefits which are recognized as follows:

### **(a) Short-term employee benefits**

Short-term employee benefits include salaries, contributions to government agencies, and non-monetary benefits provided to current employees, which are expected to be settled before 12 months after the end of the reporting period during which employee services are rendered, but does not include termination benefits.

These benefits are recognized in profit or loss when the services are rendered.

(b) *Post-employment defined benefit plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies. The Company's defined benefit post-employment plan covers all regular full-time employees. The post-employment plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the statement of financial position for defined benefit post-employment plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually or every two years by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL)], that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest), are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Interest Expense or Interest Income account in the statement of comprehensive income.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(c) *Post-employment defined contribution plan*

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity (such as the Social Security System). The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.



(d) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

**2.11 Income Taxes**

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or current tax liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax assets are to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

### ***2.12 Related Party Relationships and Transactions***

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual; and, (c) the Company's funded retirement plan.

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

### ***2.13 Equity***

Capital stock represents the nominal value of shares that have been issued, reduced by the decrease in par value as approved by the SEC.

Additional paid-in capital (APIC) represents premium received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits.

Revaluation reserves – net comprise fair value changes of financial assets at FVOCI and remeasurements of the defined benefit post-employment plan.

Retained earnings includes the current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income and the application of surplus from the decrease in par value of capital stock due to the equity restructuring scheme.

### ***2.14 Earnings (Loss) Per Share***

Basic earnings (loss) per share is computed by dividing net profit (loss) attributable to shareholders of the Company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current year, if any.

Diluted earnings (loss) per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Company does not have potentially dilutive shares outstanding; hence, the diluted earnings (loss) per share is equal to the basic earnings (loss) per share.

### ***2.15 Events After the End of the Reporting Period***

Any post year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

## **3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates 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. Actual results may ultimately differ from these estimates.

### ***3.1 Critical Management Judgments in Applying Accounting Policies***

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

#### ***(a) Evaluation of Business Model Applied in Managing Financial Instruments***

The Company developed business models which reflect how it manages its portfolio of financial instruments. The Company's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Company) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Company evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Company (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Company's investment and trading strategies.

(b) *Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model*

In determining the classification of financial assets, the Company assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. Moreover, the assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Company assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Company considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

(c) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provisions and contingencies are discussed in Note 2.5 and relevant disclosures are presented in Note 16.

**3.2 Key Sources of Estimation Uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on receivables and due from related parties is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of counterparties defaulting and the resulting losses) (see Note 4.2).

(b) *Determination of Fair Value Measurement for Financial Instruments*

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of reporting period.

The carrying values of the Company's financial assets at FVOCI and the amounts of fair value changes recognized on those assets are disclosed in Note 7.

(c) *Determination of Realizable Amounts of Deferred Tax Assets*

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. No deferred tax assets were recognized as of December 31, 2021 and 2020 as the Company's management believes that the Company will not be able to generate sufficient taxable profit in the coming years against which the assets can be utilized (see Note 14).

(d) *Evaluation of Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.9). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Accumulated impairment loss recognized on the Company's other assets is disclosed in Note 9.

(e) *Valuation of Post-employment Defined Benefit Obligation*

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by an independent actuary in calculating such amounts. Those assumptions include, among others, discount rates and expected rate of salary increases. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or loss and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 13.2.

#### 4. **RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company is exposed to a variety of financial risks in relation to financial instruments. The Company's financial assets and financial liabilities by category are summarized in Note 17. The main types of risks are market risk, credit risk, and liquidity risk. The Company's risk management is coordinated with the BOD, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The relevant financial risks to which the Company is exposed to are described below and in the succeeding pages.

#### **4.1 Market Risk**

The Company is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from both its operating, investing and financing activities.

##### *(a) Foreign Currency Risk*

Most of the Company's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates mainly arise from the Company's cash and cash equivalents, which are primarily denominated United States (U.S.) dollars.

To mitigate the Company's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

As at December 31, 2021 and 2020, the U.S. dollars denominated financial assets, translated into Philippine pesos at the closing rate amounted to P60,675 and P57,285, respectively.

The sensitivity of profit before tax with respect to changes in Philippine peso against U.S. dollar exchange rates is identified by management to have an insignificant impact on the Company's financial statements.

##### *(b) Interest Rate Risk*

The Company monitors interest rate movements and makes adjustments on its applicable financial assets and financial liabilities, if any, as may be deemed necessary. At December 31, 2021 and 2020, the Company is exposed to changes in market interest rates through its cash and cash equivalents which are subject to variable interest rates (see Note 6). Management believes that the impact of changes in market interest rates is not material to the financial statements. All other financial assets and financial liabilities are noninterest-bearing.

#### **4.2 Credit Risk**

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments from granting receivables to customers including related parties and placing deposits with banks. The Company continuously monitors defaults of customers and other counterparties, identified either individually or by Company, and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position or in the detailed analysis provided in the notes to financial statements, as summarized below.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	6	<b>P 5,029,155</b>	P 11,096,858
Receivables – net	8	<u>671,747</u>	<u>600,389</u>
		<b><u>P 5,700,902</u></b>	<b><u>P 11,697,247</u></b>

None of the Company's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

(a) *Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) *Receivables*

The credit risk for interest and other receivables is considered negligible as this pertains to interest earned from short-term placements, which normally matures within 30-92 days.

### 4.3 *Liquidity Risk*

The Company manages its liquidity needs by carefully monitoring cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

As at December 31, 2021 and 2020, the Company's financial liabilities have contractual maturities of within one year as presented below.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Accrued expenses and other liabilities	10	<b>P 150,527</b>	P 134,000
Due to a related party	12	<u>3,150,000</u>	<u>3,150,000</u>
		<b><u>P 3,300,527</u></b>	<b><u>P 3,284,000</u></b>

Due to the Company's financial condition, related parties have not required immediate payment of the amounts due to them to enable the Company to conduct normal business operations.

## 5. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

### 5.1 Capital Management Objectives, Policies and Procedures

The Company's capital management objectives are to ensure that the Company continues as a going concern. With the current financial condition of the Company, the management is working closely with the parent company and the BOD to achieve these objectives.

Relevant information is shown below.

	<u>2021</u>	<u>2020</u>
Total liabilities	<b>P 5,748,264</b>	P 5,379,180
Total equity	<b><u>34,483,717</u></b>	<u>38,591,328</u>
Debt-to-equity ratio	<b><u>0.17 : 1.00</u></b>	<u>0.14 : 1.00</u>

As at December 31, 2021 and 2020, the Company is not subject to any externally imposed capital requirements.

### 5.2 Track Record of Registration of Securities

On April 24, 2018, the SEC approved the decrease in the Company's authorized capital stock from P700,000,000 divided into 700,000,000 common shares to P35,000,000 divided into 700,000,000 common shares by reducing the par value per share from P1.00 to P0.05. In addition, the SEC also approved the application of the resulting surplus amounting to P665,000,000 against the outstanding deficit as of December 31, 2017. On the same day, the SEC approved the Company's application for increase of its capital stock from P35,000,000 divided into 700,000,000 common shares to P470,000,000 divided into 9,400,000,000 shares. The payables to BSIL and Mr. Xu Hanjiang totalling P122,964,622 were used as subscription for this application.

The Company has a total authorized capital stock of P470,000,000 divided into 9,400,000,000 common shares with a P0.05 par value as at December 31, 2021 and December 31, 2020. There are 3,159,292,441 issued and outstanding shares with a total par value of P157,964,622 as of December 31, 2021 and 2020.

The Company has 476 and 477 stockholders owning 100 or more shares each of the Company's capital stock as at December 31, 2021 and 2020, respectively.

On November 18, 1975, the SEC approved the listing at the PSE of the Company's shares totalling 700,000,000. As at December 31, 2021 and 2020, there are 674 holders of the listed shares equivalent to 100% of the Company's total outstanding shares. Such listed shares closed at P0.33 and P0.38 per share as at December 31, 2021 and 2020, respectively. The Company has no other securities being offered for trading in any stock exchange. As of December 31, 2021, the Company has a pending application for listing of its newly authorized securities with the PSE.



## 6. CASH AND CASH EQUIVALENTS

This account consists of:

	<u>2021</u>	<u>2020</u>
Cash in banks	<b>P 404,691</b>	P 729,204
Short-term placements	<u><b>4,624,464</b></u>	<u>10,367,654</u>
	<u><b>P 5,029,155</b></u>	<u>P 11,096,858</u>

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods between 30 to 92 days and earn annual effective interest ranging from 0.40% to 0.55% in 2021, 0.50% to 2.50% in 2020 and 2.40% to 5.25% in 2019. Interest earned from cash and cash equivalents is reported as Interest Income in the statements of comprehensive income.

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Company's financial assets at FVOCI pertains to unquoted equity securities. The reconciliation of the carrying amounts of these financial assets are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	<b>P 32,273,202</b>	P 63,497,773
Fair value gain (loss)	<u><b>2,257,877</b></u>	<u>( 31,224,571)</u>
Balance at end of year	<u><b>P 34,531,079</b></u>	<u>P 32,273,202</u>

The Company has designated the equity securities as financial assets at FVOCI because they are held for long-term investments and are neither held-for-trading nor designated as at FVTPL. The investment in unquoted equity security of the Company as at December 31, 2021 and 2020 mainly pertains to the Company's investment in Manila Exposition Complex (MEC) representing 18.18% ownership interest (P31,268,750), investment in I-Mart Corporation (I-Mart) representing 10% ownership interest (P45,000,000) and investment in Export and Industry Bank, Inc. (EIB) representing 2.45% ownership (P478,380,834).

In 2019, the Company and other shareholders of MEC had a special agreement on the 1<sup>st</sup> tranche of capital call in the amount of P30,000,000 for the funding of the World Trade Center Metro Manila's expansion project. However, due to the adverse business effects of the pandemic, the Company decided to withdraw its participation on the capital call in 2021. Although this special arrangement has been overtaken by subsequent events, the Company has honored its commitment to pay interest on its deferred remittance amounting to P568,553 based on MEC's average bank placement rate and is presented as part of Net interest expense in the 2021 statement of comprehensive income.

In 2021 and 2020, the fair value of the Company's investment in MEC is determined using market approach - price/book value from dividend discount model in 2019, while the fair values of the investments in I-Mart and EIB were determined using the net asset valuation approach in both years. Hence, these assets are categorized under Level 3 of the fair value hierarchy (see Note 18.2). The Company received cash dividends amounting to P6.0 million in 2019 from its investment in MEC. No cash dividends were received from MEC in 2021 and 2020.

The investments in I-Mart and EIB are carried at nil in the financial statements as of December 31, 2021 and 2020. The related fair value losses are accumulated as part of the Revaluation Reserves – net account under the equity section of the statements of financial position.

## 8. RECEIVABLES

This account consists of the following:

	<u>2021</u>	<u>2020</u>
Accounts receivable	<b>P 40,313,000</b>	P 40,313,000
Interest receivables	<b>987</b>	2,062
Other receivables	<u><b>670,760</b></u>	<u>598,327</u>
	<b>40,984,747</b>	40,913,389
Allowance for impairment	<u><b>(40,313,000)</b></u>	<u>(40,313,000)</u>
	<b><u>P 671,747</u></b>	<b><u>P 600,389</u></b>

The accounts receivable of the Company pertains to advances granted to a foreign corporation. These advances matured on August 31, 2000. Full allowance for impairment has been provided on this balance as management believes that it may no longer be collectible.

Other receivables pertain to the taxes and licenses paid by the Company on behalf of Classic Tycoon Investment Limited and Fair Navigator Limited, related parties under common ownership, with registered address at British Virgin Islands (see Note 12.1). The outstanding receivables are unsecured, noninterest-bearing and collectible in cash on demand (see Note 12.1). These receivables are subject to credit risk. Based on management's review, management determines that the related losses are immaterial to the financial statements. This assessment is undertaken each financial year based on the Company's ECL model as fully disclosed in Note 4.2.

## 9. OTHER ASSETS - Net

This account consists of the following:

	<u>2021</u>	<u>2020</u>
Input value added tax (VAT)	<b>P 2,263,726</b>	P 2,065,512
Miscellaneous	<u>-</u>	<u>59</u>
	<b>2,263,726</b>	2,065,571
Allowance for impairment	<u>( 2,263,726)</u>	<u>( 2,065,512)</u>
	<b>P -</b>	<b>P 59</b>

In 2021, the Company has written off the Miscellaneous amounting to P59 as the management assessed that they can no longer utilize it. The related impairment loss is presented as part of Impairment Losses in the 2021 statement of comprehensive income.

A reconciliation of the allowance for impairment of input VAT at the beginning and end of year is shown below.

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	<b>P 2,065,512</b>	P 1,906,981
Impairment during the year	<u>198,214</u>	<u>158,531</u>
Balance at end of year	<b>P 2,263,726</b>	<b>P 2,065,512</b>

The Company recognized impairment losses on its input VAT since management believes that the Company will not be able to offset such against any future tax liabilities. The amounts of impairment losses amounting to P0.2 million in 2021 and 2020 and, P0.1 million in 2019 are presented as part of Impairment Losses in the statements of comprehensive income.

## 10. ACCRUED EXPENSES AND OTHER LIABILITIES

This account consists of the following:

	<u>2021</u>	<u>2020</u>
Accrued expenses	<b>P 150,527</b>	P 134,000
Due to the government agencies	<u>46,569</u>	<u>46,322</u>
	<b>P 197,096</b>	<b>P 180,322</b>

Accrued expenses primarily include unpaid professional fees and life insurance as of the end of the reporting dates.

## 11. OTHER EXPENSES

This account consists of:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Directors' fee	<b>P 276,000</b>	P 276,000	P 334,000
Publication expenses	<b>89,969</b>	29,489	2,897
Repairs and maintenance	<b>42,414</b>	5,000	7,136
Insurance	<b>29,149</b>	56,881	70,286
Office supplies	<b>6,560</b>	1,560	74,791
Training and seminar	-	17,500	31,804
Hotel accommodation	-	-	12,710
Miscellaneous	<u><b>131,932</b></u>	<u>170,896</u>	<u>112,481</u>
	<u><b>P 576,024</b></u>	<u>P 557,326</u>	<u>P 646,105</u>

Miscellaneous refers to bank charges, notarial fees and other expenses.

## 12. RELATED PARTY TRANSACTIONS

The Company's related parties include its stockholders, other entities through common ownership and/or with interlocking directors, its retirement fund and key management personnel as described below.

### 12.1 Summary of Related Party Transactions

A summary of the Company's related party transactions as of December 31, 2021, 2020 and 2019 are as follows:

		Amounts of Transactions						Outstanding Receivable (Payable)	
	Notes	2021		2020		2019		2021	2020
Related parties under common ownership and with interlocking directors and officers:									
Lease of office space	12.2	P	312,000	P	312,000	P	312,000	P -	P -
Cash advances obtained	12.4		-		-		-	( 3,150,000 )	( 3,150,000 )
Other receivables	8		57,432		-		-	655,759	598,327
Key management personnel –									
Salaries and other benefits	12.5		2,385,000		2,405,769		2,395,000	-	-

### 12.2 Lease of Office Space

The Company leases its office space from a related party under common ownership for a period of one year, renewable upon mutual agreement of the parties. Total rent charged to operations are presented as Occupancy in the statements of comprehensive income. The Company does not have any outstanding liabilities arising from these transactions as of December 31, 2021 and 2020 as the payments are made every month.

### 12.3 Due from Related Parties

The Company grant advances to related parties for working capital requirements and other purposes. The advances are noninterest-bearing, unsecured, collectible in cash upon demand. These entities are related parties of the Company by virtue of having interlocking directors and common executive officers. There is no outstanding receivable as of December 31, 2021 and 2020.

In 2020, the Company provided an allowance for doubtful accounts amounting to P2,000 which were recognized as part of Impairment Losses in the 2020 statement of comprehensive income. There was no similar transaction in 2021 and 2019.

#### ***12.4 Due to a Related Party***

Due to a related party pertain to noninterest-bearing, unsecured cash advances from related parties for working capital requirements and other purposes. The advances are generally payable in cash upon demand and is presented as Due to a Related Party in the statements of financial position.

#### ***12.5 Key Management Personnel Compensation***

The compensation and benefits provided to key management personnel generally consist of short-term employee benefits. These are presented as part of Employee Benefits in the statements of comprehensive income (see Note 13.1).

#### ***12.6 Transactions with the Retirement Fund***

The retirement fund for the defined benefit post-employment plan is administered and managed by a trustee bank. The fair value and the composition of the plan assets as of December 31, 2021 and 2020 are presented in Note 13.2.

The retirement fund neither provides any guarantee or surety for any obligation of the Company nor its investments covered by any restrictions or liens.

The details of the contributions of the Company to the plan are presented in Note 13.2.

### **13. EMPLOYEE BENEFITS**

#### ***13.1 Employee Benefits Expense***

Details of salaries and employee benefits are presented below.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Short-term employee benefits	<b>P 2,729,500</b>	P 2,665,060	P 2,680,885
Post-employment defined benefits	<u>204,678</u>	<u>162,388</u>	<u>185,910</u>
	<b><u>P 2,934,178</u></b>	<b><u>P 2,827,448</u></b>	<b><u>P 2,866,795</u></b>

#### ***13.2 Post-employment Defined Benefit***

##### ***(a) Characteristics of the Defined Benefit Plan***

The Company maintains a partially-funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Company. The trustee bank managed the fund in coordination with the Company's Management Committee who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 65. The plan also provides for an early retirement at age 50 with a minimum of 10 years of credited service and voluntary separation with a minimum of five years of credited service, both subject to the approval of the Company's BOD. Normal retirement benefit is an amount equivalent to 100% of the final monthly salary for every year of credited service.

(b) *Explanation of Amounts Presented in the Financial Statements*

Actuarial valuations are made every two years to update the retirement benefit costs and the amount of contributions. The 2020 amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary. No actuarial valuation was done in 2021 and 2019.

The amounts of post-employment benefit obligation recognized in the statements of financial position are determined as follows:

	<u>2021</u>	<u>2020</u>
Present value of obligation	<b>P 4,164,581</b>	P 3,831,546
Fair value of the plan assets	<b>( 1,763,413)</b>	( 1,782,688)
	<b><u>P 2,401,168</u></b>	<b><u>P 2,048,858</u></b>

The movements in the present value of the post-employment benefit obligation recognized in the books follow:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	<b>P 3,831,546</b>	P 3,387,993
Current service cost	<b>204,678</b>	162,388
Interest cost	<b>128,357</b>	192,438
Actuarial loss (gain) due to:		
Changes in financial assumptions	-	813,291
Experience adjustments	<u>-</u>	<u>( 724,564)</u>
Balance at end of year	<b><u>P 4,164,581</u></b>	<b><u>P 3,831,546</u></b>

The movements in the fair value of plan assets are presented below.

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	<b>P 1,782,688</b>	P 1,674,312
Interest income	<b>59,720</b>	95,101
Return (loss) on plan assets (excluding amounts included in net interest)	<b>( 78,995)</b>	<u>13,275</u>
Balance at end of year	<b><u>P 1,763,413</u></b>	<b><u>P 1,782,688</u></b>

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	<b>P 1,161</b>	P 26,037
Debt securities:		
Unit investment trust funds (UITF)	<b>1,339,442</b>	636,070
Philippine government bonds	<b>417,378</b>	1,091,889
Interest receivable	<b>6,064</b>	29,605
Accrued trust fees	<b>(632)</b>	(913)
	<b><u>P 1,763,413</u></b>	<b><u>P 1,782,688</u></b>

The fair values of the above debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy).

The Company's plan assets earned a return (loss) of (P19,275), P108,376 and P112,720 in 2021, 2020 and 2019, respectively. Plan assets do not comprise any of the Company's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Reported in profit or loss:</i>			
Current service cost	<b>P 204,678</b>	P 162,388	P 185,910
Net interest expense	<b><u>68,637</u></b>	<u>97,337</u>	<u>120,207</u>
	<b><u>P 273,315</u></b>	<b><u>P 259,725</u></b>	<b><u>P 306,117</u></b>
<i>Reported in other comprehensive income (loss):</i>			
Actuarial gains arising from:			
Changes in financial assumptions	<b>P -</b>	(P 813,291)	P -
Experience adjustments	<b>-</b>	724,564	-
Return (loss) on plan assets (excluding amounts included in net interest expense)	<b><u>(78,995)</u></b>	<u>13,275</u>	<u>60,824</u>
	<b><u>(P 78,995)</u></b>	<b><u>(P 75,452)</u></b>	<b><u>P 60,824</u></b>

Current service cost is presented as part of Salaries and Employee Benefits in the statements of comprehensive income.

Net interest expense is included as part of Net Interest Expense in the statements of comprehensive income.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used for the Company's obligation:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current service cost	<b>3.35%</b>	3.35%	5.68%
Expected rate of salary increase	<b>3.50%</b>	3.50%	4.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 65 is 12 for both males and females.

These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero-coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and other assets and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively substantial investment in government debt securities while it also invests in cash and cash equivalents, and UITF for liquidity purposes. Due to the long-term nature of the plan obligation, a level of continuing equity investments in debt securities is an appropriate element of the Company's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Company's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described in the succeeding page.



(i) *Sensitivity Analyses*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2021 and 2020:

	<u>Impact on Defined Benefit Obligation</u>		
	<u>Change in assumption</u>	<u>Increase in assumption</u>	<u>Decrease in assumption</u>
<b><u>December 31, 2021</u></b>			
Discount rate	100 basis points (P	750,698) P	637,064
Salary increase rate	100 basis points	657,871 (	730,060)
<b><u>December 31, 2020</u></b>			
Discount rate	100 basis points (P	472,387) P	545,625
Salary increase rate	100 basis points	539,042 (	476,122)

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-liability Matching Strategies*

To efficiently manage the retirement plan, the Company ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or other debt securities) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

There has been no change in the Company's strategies to manage its risks from previous periods.

(iii) *Funding Arrangements and Expected Contributions*

The plan is currently underfunded by P2,401,168. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 20 years' time when a significant number of current employees is expected to retire.

## 14. TAXES

On March 26, 2021, Republic Act (R.A.) No. 11534, the *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and shall be effective beginning July 1, 2020. The CREATE Act aims to lower certain corporate taxes and rationalize tax incentives given to certain taxpayers.

The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Company:

- regular corporate income tax (RCIT) rate was reduced from 30% to 25% or 20% subject to the following conditions:
  - (i) net taxable income of not more than P5 million; and,
  - (ii) total assets of not more than P100 million (excluding land where the entity is situated);
- minimum corporate income tax (MCIT) was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

The components of tax expense as reported in the profit or loss section of the statement of comprehensive income are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Final tax at 20% and 15% MCIT at 2%	<b>P 6,973</b>	P 40,352	P 95,046
	<u>-</u>	<u>-</u>	<u>66</u>
	<b><u>P 6,973</u></b>	<b><u>P 40,352</u></b>	<b><u>P 95,112</u></b>

The reconciliation of tax on pretax profit (loss) for 2021, 2020 and 2019 computed at the applicable statutory tax rates to tax expense reported in the profit or loss section of the statements of comprehensive income is presented below.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Tax on pre-tax profit (loss) at 20% in 2021 and 30% in 2020 and 2019	<b>(P 1,255,904)</b>	(P 1,589,209)	P 256,105
Adjustment for income subjected to lower tax rates	<b>( 4)</b>	( 20,179)	( 47,532)
Tax effects of:			
Unrecognized deferred tax asset on temporary differences	<b>1,177,882</b>	1,536,626	1,589,276
Non-deductible expenses	<b>84,999</b>	113,114	97,263
Non-taxable income	<u>-</u>	<u>-</u>	<u>( 1,800,000)</u>
Tax expense	<b><u>P 6,973</u></b>	<b><u>P 40,352</u></b>	<b><u>P 95,112</u></b>

The Company did not recognize net deferred tax assets on net operating loss carry over (NOLCO) and other temporary differences since management believes that the related benefits may not be fully utilized considering the current status of operations of the Company. Details of unrecognized net deferred tax assets are as follows:

	2021		2020	
	Amount	Tax Effect	Amount	Tax Effect
Allowance for impairment	P 40,315,000	P 8,063,000	P 40,315,000	P 12,094,500
NOLCO	15,939,810	3,187,962	16,271,291	4,881,387
Retirement benefit obligation	2,264,806	452,961	1,991,491	597,447
Unamortized past service cost	295,951	59,190	382,201	114,660
Unrealized foreign currency losses (gains) - net	( 3,270)	( 654)	3,210	963
MCIT	66	66	66	66
	<b>P 58,812,363</b>	<b>P 11,762,525</b>	<b>P 58,963,259</b>	<b>P 17,689,023</b>

The breakdown of the Company's NOLCO as at December 31, 2021, which can be claimed as deductions from future taxable income within three or five years from the year the tax loss was incurred, is presented below. Specifically, NOLCO incurred in 2021 and 2020 can be claimed as a deduction from the gross income until 2026 and 2025, respectively, in accordance with R.A. No. 11494, *Bayanihan to Recover as One Act*.

Year	Original Amount	Expired Balance	Remaining Balance	Valid Until
2021	P 5,708,824	P -	P 5,708,824	2026
2020	4,959,499	-	4,959,499	2025
2019	5,271,487	-	5,271,487	2022
2018	6,040,305	6,040,305	-	
	<b>P 21,980,115</b>	<b>P 6,040,305</b>	<b>P 15,939,810</b>	

The Company is subject to MCIT which is computed at 1% in 2021 and 2% in 2020 and 2019 of gross income, net of allowable deductions, as defined under the tax regulations, or RCIT whichever is higher. There was no RCIT incurred in 2021 and 2020 as the Company is in a tax loss position in both years. However, the Company incurred MCIT in 2019, which the Company can claim as deduction against any RCIT until 2022, amounting to P66 due to realized foreign currency gains. No MCIT was incurred in 2021 and 2020.

In 2021, 2020 and 2019, the Company opted to claim itemized deductions in computing for its income tax due.

## 15. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share for the years ended December 31, 2021, 2020 and 2019 is computed as follows:

	2021	2020	2019
Net profit (loss) attributable to the shareholders of the Company	(P 6,286,493)	(P 5,337,716)	P 758,572
Divided by the weighted average number of outstanding shares	<u>3,159,292,441</u>	<u>3,159,292,441</u>	<u>3,159,292,441</u>
Basic and diluted earnings (loss) per share	<u>(P 0.0020)</u>	<u>(P 0.0017)</u>	<u>P 0.0002</u>

The Company has no potentially dilutive common shares as at December 31, 2021 and 2020.

## 16. COMMITMENTS AND CONTINGENCIES

There are commitments and contingencies that arise in the normal course of the Company's operations which are not reflected in the financial statements. As at December 31, 2021 and 2020, management is of the opinion that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the Company's financial statements.

## 17. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 17.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

		2021		2020	
	Notes	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial assets</b>					
At amortized cost:					
Cash and cash equivalents	6	P 5,029,155	P 5,029,155	P 11,096,858	P 11,096,858
Receivables - net	8	<u>671,747</u>	<u>671,747</u>	<u>600,389</u>	<u>600,389</u>
		5,700,902	5,700,902	11,697,247	11,697,247
Financial assets at FVOCI					
Equity securities	7	<u>34,531,079</u>	<u>34,531,079</u>	<u>32,273,202</u>	<u>32,273,202</u>
		<u>P 40,231,981</u>	<u>P 40,231,981</u>	<u>P 43,970,449</u>	<u>P 43,970,449</u>
<b>Financial liabilities at amortized cost</b>					
Accrued expenses and other liabilities	10	P 150,527	P 150,527	P 134,000	P 134,000
Due to a related party	12	<u>3,150,000</u>	<u>3,150,000</u>	<u>3,150,000</u>	<u>3,150,000</u>
		<u>P 3,300,527</u>	<u>P 3,300,527</u>	<u>P 3,284,000</u>	<u>P 3,284,000</u>

### 17.2 Offsetting of Financial Assets and Financial Liabilities

The Company has not set off financial instruments and does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by the respective BOD and stockholders of both parties or upon instruction by its major stockholders. There was no potential offsetting as at December 31, 2021 and 2020.

## 18. FAIR VALUE MEASUREMENT AND DISCLOSURES

### ***18.1 Fair Value Hierarchy***

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

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

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Company, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

### ***18.2 Financial Instruments Measured at Fair Value***

The Company holds financial assets at FVOCI. The fair value of investments in I-mart and EIB has been determined based on the net asset approach. The assets are carried at nil as of December 31, 2021 and 2020.

In 2021 and 2020, the Company used the market approach – price/book value as its valuation method in determining the fair value of investments in MEC. The approach is based on valuation technique for unquoted equity instruments, which maximizes the use of relevant observable inputs (i.e., PSE Index) and minimizes the use of unobservable inputs in accordance with PFRS 13.

All financial assets at FVOCI are categorized under Level 3 of the fair value hierarchy.

The Company has no financial liabilities measured at fair value as of December 31, 2021 and 2020.

***18.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed***

Management considers that due to the short duration of financial assets and financial liabilities measured at amortized cost, as disclosed in Note 17, their carrying amounts as of December 31, 2021 and 2020 approximate their fair value. Except for cash and cash equivalents which is classified under Level 1, all other financial instruments are classified under Level 3 wherein inputs are not based on observable data.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

**19. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE**

Presented below and in the succeeding page is the supplementary information on taxes, duties and license fees paid or accrued by the Company during the taxable year which is required by the Bureau of Internal Revenue (BIR) under Revenue Regulation No. 15-2010 to disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

*(a) Output VAT*

The Company did not declare output VAT for the year ended December 31, 2021 as it did not have any transactions in 2021 which are subject to output VAT.

*(b) Input VAT*

The movements of input VAT in 2021 are summarized below.

Balance at beginning of year	P	2,065,512
Current year's domestic purchases of services lodged under administrative expenses		<u>198,214</u>
Balance at end of year	P	<u>2,263,726</u>

*(c) Taxes on Importation*

The Company did not have any importations subject to custom duties and tariff fees.

*(d) Excise Tax*

The Company did not have any transactions which are subject to excise tax.

*(e) Documentary Stamp Tax*

The Company did not have any transactions which are subject to documentary stamp tax.

(f) *Taxes and Licenses*

Details taxes and licenses of the Company in 2021 are shown below.

Licenses and permit fees	P	14,791
Barangay clearance		2,370
Community tax		690
Registration		<u>500</u>
	P	<u>18,351</u>

(g) *Withholding Taxes*

The total withholding taxes of the Company for the year ended December 31, 2021 are shown below.

Compensation and benefits	P	576,240
Expanded		76,951
Final		<u>11,250</u>
	P	<u>664,441</u>

(h) *Deficiency Tax Assessments and Tax Cases*

As at December 31, 2021, the Company does not have any final deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.



# **Report of Independent Auditors on Supplementary Schedules Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements**

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**Punongbayan & Araullo**


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**The Board of Directors and the Stockholders  
Medco Holdings, Inc.  
(A Subsidiary of Bonham Strand Investments Ltd.)**  
31<sup>st</sup> Floor, Rufino Pacific Tower  
6784 Ayala Avenue, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Medco Holdings, Inc. (the Company) for the year ended December 31, 2021, on which we have rendered our report dated February 28, 2022. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code 68. Such supplementary information is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards and is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## **PUNONGBAYAN & ARAULLO**

  
**By: Nelson J. Dinio**  
Partner

CPA Reg. No. 0097048  
TIN 201-771-632  
PTR No. 8852332, January 3, 2022, Makati City  
SEC Group A Accreditation  
Partner - No. 97048-SEC (until Dec. 31, 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-032-2019 (until Sept. 4, 2022)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 28, 2022

**MEDCO HOLDINGS, INC.**  
*(A Subsidiary of Bonham Strand Investments Ltd.)*  
**LIST OF SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2021**

<u>Schedule</u>	<u>Description</u>	<u>Page No.</u>
<b>Schedules Required under Annex-J of the Revised Securities Regulation Code Rule 68</b>		
A	Financial Assets	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	N/A
D	Long-term Debt	N/A
E	Indebtedness to Related Parties	3
F	Guarantees of Securities of Other Issuers	N/A
G	Capital Stock	4
<b>Other Required Information</b>		
	Reconciliation of Retained Earnings	5
	Map Showing the Relationship Between and Among Related Entities	6

**MEDCO HOLDINGS, INC.**  
*(A Subsidiary of Bonham Strand Investments Ltd.)*  
**SCHEDULE A - FINANCIAL ASSETS**  
**DECEMBER 31, 2021**  
*(Amounts in Philippine Pesos)*

<i>Name of issuing entity and association of each issue (i)</i>	<i>Number of shares or principal amount of bonds or notes</i>	<i>Amount shown on the balance sheet</i>	<i>Valued based on the fair value at end of reporting period</i>	<i>Dividend received and accrued</i>
Manila Exposition Complex, Inc.	300,000	P 34,531,079	P 34,531,079	p -
I-Mart Corporation	100,000	-	-	-
Export and Industry Bank, Inc.	463,292,500	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Financial Asset at Fair Value Through Other Comprehensive Income</b>		<b><u>P 34,531,079</u></b>	<b><u>P 34,531,079</u></b>	<b><u>P -</u></b>

MEDCO HOLDINGS, INC.  
*(A Subsidiary of Bonham Strand Investments Ltd.)*  
**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES  
AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**  
DECEMBER 31, 2021  
*(Amounts in Philippine Pesos)*

				Deductions		Ending Balance		
Name and designation of debtor	Balance at beginning of period	Additions		Amounts collected	Amounts written off	Current	Non-current	Balance at end of period
Amounts Due from Related Parties:								
Classic Tycoon Investment Limited	P 299,164	P 28,716		P -	P -	P 327,880	p -	P 327,880
Fair Navigator Limited	299,163	28,717		-	-	327,880	-	327,880
Advances to Employees:								
(recorded under the Receivables account)	-	15,000		-	-	15,000	-	15,000
Grand Total	P 598,327	p 72,433		p -	p -	P 670,760	p -	P 670,760

**MEDCO HOLDINGS, INC.**  
*(A Subsidiary of Bonham Strand Investments Ltd.)*  
**SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)**  
**DECEMBER 31, 2021**  
*(Amounts in Philippine Pesos)*

<i>Name of related party</i>	<i>Balance at beginning of the year</i>	<i>Balance at end of the year</i>
<i>Amounts Due to a Related Party</i>		
Lippo Securities, Inc.	P 3,150,000	P 3,150,000

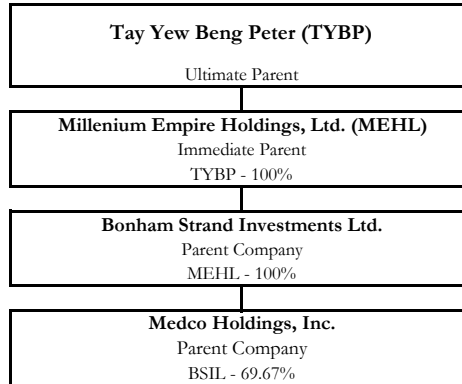
MEDCO HOLDINGS, INC.  
(A Subsidiary of Bonham Strand Investments Ltd.)  
**SCHEDULE G - CAPITAL STOCK**  
DECEMBER 31, 2021

<i>Title of Issue</i>	<i>Number of Shares Authorized</i>	<i>Number of Shares Issued and Outstanding under Related Balance Sheet Caption</i>	<i>Number of Shares. Reserved for Options, Warrants, Conversions and Other Rights</i>	<i>Number or Shares Held By</i>		
				<i>Related Parties (Parent, Affiliates)</i>	<i>Directors, Officers and Employees</i>	<i>Others</i>
Common Shares	9,400,000,000	3,159,292,441	Not Applicable	2,523,494,115	51,011	635,747,315

**MEDCO HOLDINGS, INC.**  
**(A Subsidiary of Bonham Strand Investments Ltd.)**  
**31st Floor, Rufino Pacific Tower 6784 Ayala Avenue, Makati City**  
**Reconciliation of Retained Earnings Available for Dividend Declaration**  
**For the Year Ended December 31, 2021**

<b>Retained Earnings at Beginning of Year</b>	P 378,794,038
<b>Non-declarable Portion from Equity Restructuring</b>	( 665,000,000 )
<b>Net Loss Realized during the Year</b>	
Net loss per audited financial statements	( <u>6,286,493</u> )
<b>Deficit at End of Year</b>	( <u>P 292,492,455</u> )

**MEDCO HOLDINGS, INC.**  
*(A Subsidiary of Bonham Strand Investments Ltd.)*  
**Map Showing the Relationship Between and Among Related Entities**  
**December 31, 2021**





## **Report of Independent Auditors on Components of Financial Soundness Indicators**

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**Punongbayan & Araullo**

20<sup>th</sup> Floor, Tower 1  
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**The Board of Directors and the Stockholders**  
**Medco Holdings, Inc.**  
**(A Subsidiary of Bonham Strand Investments Ltd.)**  
31<sup>st</sup> Floor, Rufino Pacific Tower  
6784 Ayala Avenue, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Medco Holdings Inc. (the Company) for the years ended December 31, 2021 and 2020, on which we have rendered our report dated February 28, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of 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 purposes 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 basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2021 and 2020 and for each of the two years in the period ended December 31, 2021 and no material exceptions were noted.

### **PUNONGBAYAN & ARAULLO**

  
**By: Nelson J. Dinio**  
Partner

CPA Reg. No. 0097048  
TIN 201-771-632  
PTR No. 8852332, January 3, 2022, Makati City  
SEC Group A Accreditation  
Partner - No. 97048-SEC (until Dec. 31, 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-032-2019 (until Sept. 4, 2022)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 28, 2022

**MEDCO HOLDINGS INC.**  
**(A Subsidiary of Bonham Strand Investments Ltd.)**  
**Supplemental Schedule of Financial Soundness Indicators**  
**December 31, 2021 and 2020**

Ratio	Formula	2021	Formula	2020
Liquidity ratio	Total Current Assets Divided by Total Current Liabilities	1.70	Total Current Assets Divided by Total Current Liabilities	3.51
	Total Current Assets P 5,700,902		Total Current Assets P 11,697,247	
	Divided by: Total Current Liabilities 3,347,096		Divided by: Total Current Liabilities 3,330,322	
	Current Ratio 1.70		Current Ratio 3.51	
Solvency ratio	Total Assets Divided by Total Liabilities	7.00	Total Assets Divided by Total Liabilities	8.17
	Total Assets P 40,231,981		Total Assets P 43,970,508	
	Divided by: Total Liabilities 5,748,264		Divided by: Total Liabilities 5,379,180	
	Solvency ratio 7.00		Solvency ratio 8.17	
Debt-to-equity ratio	Total Liabilities Divided by Total Equity	0.17	Total Liabilities Divided by Total Equity	0.14
	Total Liabilities P 5,748,264		Total Liabilities P 5,379,180	
	Divided by: Total Equity 34,483,717		Divided by: Total Equity 38,591,328	
	Debt-to-equity ratio 0.17		Debt-to-equity ratio 0.14	
Asset-to-equity ratio	Total Assets Divided by Total Equity	1.17	Total Assets Divided by Total Equity	1.14
	Total Assets P 40,231,981		Total Assets P 43,970,508	
	Divided by: Total Equity 34,483,717		Divided by: Total Equity 38,591,328	
	Asset-to-equity ratio 1.17		Asset-to-equity ratio 1.14	
Interest cost coverage ratio	Earnings before interest and taxes (EBIT)	-8.86	Earnings before interest and taxes (EBIT)	-53.42
	Divided by Interest Expense		Divided by Interest Expense	
	EBIT ( P 5,642,330 )		EBIT ( P 5,200,027 )	
	Divided by: Interest Expense 637,190		Divided by: Interest Expense 97,337	
	Interest cost coverage ratio -8.86		Interest cost coverage ratio -53.42	
Return on equity	Net Profit Divided by Total Equity	-0.18	Net Profit Divided by Total Equity	-0.14
	Net Profit ( P 6,286,493 )		Net Profit ( P 5,337,716 )	
	Divided by: Total Equity 34,483,717		Divided by: Total Equity 38,591,328	
	Return on equity -0.18		Return on equity -0.14	
Return on assets	Net Profit Divided by Total Assets	-0.16	Net Profit Divided by Total Assets	-0.12
	Net Profit ( P 6,286,493 )		Net Profit ( P 5,337,716 )	
	Divided by: Total Assets 40,231,981		Divided by: Total Assets 43,970,508	
	Return on assets -0.16		Return on assets -0.12	
Cost to income ratio	Cost and Expenses Divided by Total Revenues	165.58	Cost and Expenses Divided by Total Revenues	27.25
	Cost and Expenses P 6,317,675		Cost and Expenses P 5,499,134	
	Divided by: Total Revenues 38,155		Divided by: Total Revenues 201,770	
	Cost to income ratio 165.58		Cost to income ratio 27.25	
Earnings per share	Net Profit Divided by Average Outstanding Shares	-0.0020	Net Profit Divided by Average Outstanding Shares	-0.0017
	Net Profit ( P 6,286,493 )		Net Profit ( P 5,337,716 )	
	Divided by: Average Outstanding Shares 3,159,292,441		Divided by: Average Outstanding Shares 3,159,292,441	
	Earnings per share -0.0020		Earnings per share -0.0017	

# Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

## Contextual Information

Company Details	
Name of Organization	Medco Holdings, Inc.
Location of Headquarters	31/F, Rufino Pacific Tower, 6784 Ayala Ave., Makati City, Philippines
Location of Operations	Philippines
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	This report will solely cover the operations of Medco Holdings, Inc.
Business Model, including Primary Activities, Brands, Products, and Services	Investment Holding Company
Reporting Period	January 1, 2021 to December 31, 2021
Highest Ranking Person responsible for this report	President

*\*If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

## Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics. <sup>1</sup>
<p>Medco Holdings, Inc. (MED) is a holding company whose primary investment is in Manila Exposition Complex, Inc. (MEC), the company that operates the World Trade Center Metro Manila (WTCMM). As MED's investment in MEC is only 18.18%, it is not considered a subsidiary. Thus, our report will solely focus on the operations of MED.</p>

<sup>1</sup> See [GRI 102-46](#) (2016) for more guidance.

## ECONOMIC

### Economic Performance

#### Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	38,155	PhP
Direct economic value distributed:		
a. Operating costs	1,377,566	PhP
b. Employee wages and benefits	2,934,178	PhP
c. Payments to suppliers, other operating costs	2,005,931	PhP
d. Dividends given to stockholders and interest payments to loan providers	0	PhP
e. Taxes given to government	643,196	PhP
f. Investments to community (e.g. donations, CSR)	0	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
MED's investment in MEC, the owner and operator of the World Trade Center Metro-Manila, normally earns dividend income which in turn enables MED to pay the salaries of its employees and provide their benefits as well as adequately covering its other operating costs and expenses, including payments to utility companies and suppliers. MED's two nominee Directors sit in MEC's Board thereby closely monitoring and directing the performance of MEC's management and being actively involved in setting that company's overall policies and strategies.	Employees Stockholders Suppliers	MED is continuously looking for investments that would increase shareholder value and enable the company to provide for its employees.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Given that the company's dividend stream depends on the profit performance of MEC, an economic downturn that will negatively affect the operations of the WTCMM will inevitably diminish MEC's dividend	Employees Stockholders Suppliers	As a matter of policy, MED aims to diversify its portfolio of investments in order to mitigate the adverse impact to its revenue-generating ability of any economic downturn that may hamper

paying capacity and directly impact on MED's revenues.		MEC's profitability.
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
The Philippine economy gradually recovered in 2021, despite experiencing two major COVID-19 surges with GDP growing by 5.6% for the whole year. This is attributed to the vaccination drive in the country, which has allowed an easing of restrictions particularly during the Christmas season. The vaccination of the younger population and availability of booster shots will also enable the country to shorten restrictions should another COVID-19 surge commence.	Employees Stockholders Suppliers	After the end of the ongoing pandemic, MED will resume looking for new investment prospects to diversify its portfolio and thereby enable the company to weather any future economic downturn.

#### Climate-related risks and opportunities<sup>2</sup>

Governance	Strategy	Risk Management	Metrics and Targets
Being an investment holding company, MED's climate-related risks and opportunities are insignificant in scope and thus considered immaterial.	The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning are considered immaterial.	The organization has no material climate-related risks.	The organization has no material climate-related risks.
<b>Recommended Disclosures</b>			
a) Not applicable.	a) Not applicable.	a) Not applicable.	a) Not applicable.
b) Not applicable.	b) Not applicable.	b) Not applicable.	b) Not applicable.
	c) Not applicable.	c) Not applicable.	

#### Procurement Practices

##### Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	Not material.	Not material.

<sup>2</sup> Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
MED is a holding company. As its primary business is investing in companies, it does not directly utilize raw materials nor does it procure much supplies.	The effect on shareholders is not material.	Management applies conventional business measures in monitoring and controlling procurement of supplies.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Corruption and fraud	Stockholders Government	Close monitoring and control of procurement practices
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Reduction of procurement costs	Stockholders	Close monitoring and control of procurement practices

## Anti-corruption

### Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	2	100%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	0	0%
Percentage of directors and management that have received anti-corruption training	7	100%
Percentage of employees that have received anti-corruption training	2	100%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The company has a code of business conduct and ethics whereby employees are expected to conduct business on a sound, fair and prudent manner.	Employees Suppliers Regulators Government	Management ensures that the company code of business conduct and ethics are strictly adhered to by its employees.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach

	<b>affected?</b>	
Employees may still be tempted to perform corrupt practices if left unchecked.	Employees Suppliers Regulators Government	Management continually establishes control measures in order to avoid corrupt practices.
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
As the organization is geared toward growth, having a code of business conduct and ethics will ensure that the company's employees would abide by the law.	Employees Suppliers Regulators Government	Management will continually monitor its employees' compliance with the company's code of business ethics.

### Incidents of Corruption

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
MED will not tolerate corrupt actions and will commence disciplinary actions on erring employees.	Employees Stockholders Regulators Government	Management ensures that the company code of business conduct and ethics are strictly adhered to by its employees.
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Employees may still be tempted to perform corrupt practices if left unchecked.	Employees Stockholders Regulators Government	Management continually establishes control measures in order to avoid corrupt practices.
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Having employees that avoid corruption and abide by the law will prevent personnel problems and ensure that the company will	Employees Stockholders Regulators	Management will continually monitor its employees' compliance with the company's code of business ethics.

flourish.	Government	
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## ENVIRONMENT

### Resource Management

#### Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	0	GJ
Energy consumption (gasoline)	0	GJ
Energy consumption (LPG)	0	GJ
Energy consumption (diesel)	0	GJ
Energy consumption (electricity)	5,484	kWh

#### Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	0	GJ
Energy reduction (LPG)	0	GJ
Energy reduction (diesel)	0	GJ
Energy reduction (electricity)	Minimal	kWh
Energy reduction (gasoline)	0	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
MED consumes electricity for its office use where administrative work is done. The company's energy saving methods are conversion of light bulbs to LED and the conscious effort of turning off of computers, lights and air-conditioning unit when not in use.	Employees Stockholders Utility Supplier Government	Management continuously finds ways to minimize energy usage and thereby reduce costs.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Employees might not cooperate with the company's energy reduction programs.	Employees Stockholders	Management will continually educate its employees on the benefits of being conscious about energy reduction efforts.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach



Finding ways to save on energy costs will translate to a reduction in the company's expenses.	Employees Stockholders	Management continuously finds ways to minimize energy usage.
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#### Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	0	Cubic meters
Water consumption	Not material	Cubic meters
Water recycled and reused	0	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Given the nature of MED's business and its lean manpower complement, water usage is confined to the employees' personal use. The administration of MED's office building has initiated water conservation measures in order to minimize water consumption of building occupants.	Employees Stockholders Utility Supplier Community Government	As is the case with energy consumption, employees are encouraged to conserve water.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Water dams may be unable to support the growing water needs in the metropolis specially during summer months.	Employees Stockholders Utility Supplier Community Government	As is the case with energy consumption, employees are encouraged to conserve water.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Given the demand for water, MED may look for investment opportunities in water-related enterprises.	Stockholders Community Government	Management will look at organizations and programs that would promote water conservation and provide support for such.

#### Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		

• renewable	0	kg/liters
• non-renewable	0	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	0	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
MED is an investment holding company that does not engage in manufacturing activities, therefore does not have any raw materials.	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable

#### Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	0	
Habitats protected or restored	0	ha
IUCN <sup>3</sup> Red List species and national conservation list species with habitats in areas affected by operations	0	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
MED does not own nor lease any facility that is located in or is near a protected area. Its office is located in a financial district in Makati City.	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach

<sup>3</sup> International Union for Conservation of Nature

Not applicable	Not applicable	Not applicable
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Not applicable	Not applicable	Not applicable

## Environmental impact management

### Air Emissions

#### GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	0	Tonnes CO <sub>2</sub> e
Energy indirect (Scope 2) GHG Emissions	0	Tonnes CO <sub>2</sub> e
Emissions of ozone-depleting substances (ODS)	0	Tonnes

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
MED is an investment holding company that does not engage in manufacturing activities.	Not applicable	Not applicable
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Not applicable	Not applicable	Not applicable
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Not applicable	Not applicable	Not applicable

#### Air pollutants

Disclosure	Quantity	Units
NO <sub>x</sub>	0	kg
SO <sub>x</sub>	0	kg
Persistent organic pollutants (POPs)	0	kg
Volatile organic compounds (VOCs)	0	kg
Hazardous air pollutants (HAPs)	0	kg
Particulate matter (PM)	0	kg

<b>What is the impact and where does it occur? What is the</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
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<b>organization's involvement in the impact?</b>		
MED is an investment holding company that does not engage in manufacturing activities.	Not applicable	Not applicable
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Not applicable	Not applicable	Not applicable
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Not applicable	Not applicable	Not applicable

### Solid and Hazardous Wastes

#### Solid Waste

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Total solid waste generated	0	kg
Reusable	0	kg
Recyclable	0	kg
Composted	0	kg
Incinerated	0	kg
Residuals/Landfilled		kg

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
MED is an investment holding company that does not engage in manufacturing activities.	Not applicable	Not applicable
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Not applicable	Not applicable	Not applicable
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Not applicable	Not applicable	Not applicable

#### Hazardous Waste

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Total weight of hazardous waste generated	0	kg

Total weight of hazardous waste transported	0	kg
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What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
MED is an investment holding company that does not engage in manufacturing activities.	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable

#### Effluents

Disclosure	Quantity	Units
Total volume of water discharges	0	Cubic meters
Percent of wastewater recycled	0	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
MED is an investment holding company that does not engage in manufacturing activities.	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable

#### Environmental compliance

##### Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
MED has not broken any environmental laws and regulations.	Employees Stockholders	MED is mindful of the importance of protecting the environment and therefore is conscious about following environmental laws.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Possible violation of any environmental laws and regulations.	Employees Stockholders Community	MED is implementing responsible and proper procedures and practices to make sure that it does not violate such laws and regulations.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Given that there is a global consciousness on environmental preservation, there will be a greater opportunity to invest in companies that value the protection of the environment.	Employees Stockholders Community	MED will favor investing in companies that care for the environment.

## SOCIAL

### Employee Management

#### Employee Hiring and Benefits

##### Employee data

Disclosure	Quantity	Units
Total number of employees <sup>4</sup>		
a. Number of female employees	1	#
b. Number of male employees	1	#

<sup>4</sup> Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

Attrition rate <sup>5</sup>	0	rate
Ratio of lowest paid employee against minimum wage	1:1	ratio

#### Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	0%	0%
PhilHealth	Y	0%	0%
Pag-ibig	Y	0%	0%
Parental leaves	Y	0%	0%
Vacation leaves	Y	0%	0%
Sick leaves	Y	0%	0%
Medical benefits (aside from PhilHealth))	Y	100%	100%
Housing assistance (aside from Pag-ibig)	N	Not applicable	Not applicable
Retirement fund (aside from SSS)	Y	0%	0%
Further education support	N	Not applicable	Not applicable
Company stock options	N	Not applicable	Not applicable
Telecommuting	Y	100%	Not applicable
Flexible-working Hours	N	Not applicable	Not applicable
(Others)	N	Not applicable	Not applicable

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p>Employee morale is boosted and attrition is minimized when employees feel that they are being taken care of by their company. This covers all departments and employee ranks.</p> <p>Clients and suppliers are willing to deal with the company since it abides by the law and provides additional benefits to its employees.</p>	<p>The company abides by the directives of the SSS, PhilHealth and Pag-ibig with regard to monthly company contributions as well as collects and remits each employee's share. Policies on loan and other benefits are also adhered to.</p> <p>Employee leaves are also specified in the company's employee manual.</p> <p>The company has likewise established a retirement plan for its employees and contributes to this annually.</p>
What are the Risk/s Identified?	Management Approach
The COVID-19 virus has posed a risk on the health of employees should any of them contract it.	Management has allowed its employees to work from home to prevent the transmission of the virus in the work place.
What are the Opportunity/ies Identified?	Management Approach

<sup>5</sup> Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Savings in terms of utility costs is being enjoyed by the company. Employee morale is boosted.	Management will evaluate if telecommuting will become a permanent policy even after the COVID-19 pandemic.
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### Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	6	hours
b. Male employees	0	hours
Average training hours provided to employees		
a. Female employees	6	hours/employee
b. Male employees	0	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p>The provision of annual seminars for the members of management allows them to be abreast with current trends, particularly in the field of corporate governance.</p> <p>The company is also able to comply with government regulations.</p>	The company provides opportunities for employees to participate in seminars that are relevant to their work.
What are the Risk/s Identified?	Management Approach
Time away from the office to attend seminars and trainings occasionally lessens productivity.	Management looks for seminars and trainings that will not take away too much time from the office but would still enhance the employee's work knowledge.
What are the Opportunity/ies Identified?	Management Approach
Allowing the employees to participate in seminars would enable them to apply what they have learned for the improvement of the organization.	Management welcomes suggestions from employees with regard to the improvement of productivity, policies and procedures.

### Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	0	%
Number of consultations conducted with employees concerning employee-related policies	2	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Consultations with employees with regard to	Management is open to hearing the grievances of



employee-related policies allows the employees to air their grievances with management, if there are any. Management is likewise able to relay to the employees any new policies that need to be followed.	employees, if there are any, and will conduct more consultations, when needed.
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Despite such consultations, there could still be difficulties encountered in addressing the employee's grievances.	Management constantly strives to find solutions that are fair to both the employee and the company.
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
The relationship between management and employees would be strengthened if employees feel that their superiors are listening to their concerns.	Management will always find ways for employees to be heard.

### Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	50%	%
% of male workers in the workforce	50%	%
Number of employees from indigenous communities and/or vulnerable sector*	1	#

*\*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
Employees are not discriminated upon as long as they can do the work. This fosters an environment that encourages employees to excel in their capabilities.	Management values its employees and does not discriminate.
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Employees with physical disabilities might have a slower output.	Management will provide ample time for the completion of work assigned.
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Employee support given to the vulnerable sector will boost their morale and translate to higher productivity.	Management will always provide work opportunities for people belonging to the vulnerable sector.

### Workplace Conditions, Labor Standards, and Human Rights

#### Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	976	Man-hours

No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	0	#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
Holding annual safety drills, in this case fire/earthquake drills, will allow the employees to properly respond and minimize casualties and injuries in the event of an actual fire/earthquake in our place of work.	Management encourages all employees to participate in the annual fire/earthquake drills.
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
A very strong and devastating earthquake might hit the metropolis anytime.	Safety is management's priority that is why it mandates employees to join fire/earthquake drills. Employees are also encouraged to attend seminars on first aid.
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Employees should be encouraged to stay healthy and fit in order to avoid sickness, injuries and fatalities.	Management will look into programs that would enhance employees' health.

#### Labor Laws and Human Rights

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

<b>Topic</b>	<b>Y/N</b>	<b>If Yes, cite reference in the company policy</b>
Forced labor	N	
Child labor	N	
Human Rights	Y	Company employees' manual Hepatitis B Workplace Policy and Program HIV & AIDS Workplace Policy and Program Tuberculosis Workplace Policy and Program Sexual Harassment Policy

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
MED is a law-abiding company that gives great value	Management is conscious about complying with

to human rights. Given these, MED has had a low turnover.	the law, especially those related to our workforce. Apart from the company policies mentioned earlier, the company has also implemented its Occupational Safety and Health Program, Smoke-Free Workplace Policy and Program, Breastfeeding Policy and Drug-Free Workplace Policy.
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
The company may be exposed to higher premium payments for the employee's health insurance coverage should employees have health-related issues.	Management gives weight to its employees' health and well-being and will continue to provide its employees with health insurance coverage despite the risk of higher premium.
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Being compliant with labor laws will make the company attractive to potential employees. It will also foster loyalty within the organization.	Management will always abide by laws that are promulgated by the Department of Labor and Employment.

### Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Given that our company is a investment holding company, we only primarily purchase office supplies, which does not require an accreditation.

Do you consider the following sustainability topics when accrediting suppliers? NOT APPLICABLE

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance		
Forced labor		
Child labor		
Human rights		
Bribery and corruption		

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
Not applicable	Not applicable
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Not applicable	Not applicable
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Not applicable	Not applicable

## Relationship with Community

### Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Not applicable					

*\*Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: \_\_\_\_\_

Certificates	Quantity	Units
FPIC process is still undergoing	0	#
CP secured	0	#

What are the Risk/s Identified?	Management Approach
MED is a holding company and does not have any operations that have any significant impact on our local community.	Not applicable
What are the Opportunity/ies Identified?	Management Approach
Not applicable	Not applicable

## Customer Management

### Customer Satisfaction

Disclosure	Score	Did a third party conduct
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		<b>the customer satisfaction study (Y/N)?</b>
Customer satisfaction	Not applicable	Not applicable

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
MED's operations do not involve interaction with customers.	Not applicable
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Not applicable	Not applicable
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Not applicable	Not applicable

#### Health and Safety

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of substantiated complaints on product or service health and safety*	0	#
No. of complaints addressed	0	#

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
MED is not engaged in the production of any consumer product.	Not applicable
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Not applicable	Not applicable
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Not applicable	Not applicable

#### Marketing and labelling

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	0	#

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
MED is not engaged in the production of any consumer product.	Not applicable
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Not applicable	Not applicable
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Not applicable	Not applicable

#### Customer privacy

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
MED's operations do not involve interaction with customers.	Not applicable
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Not applicable	Not applicable
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Not applicable	Not applicable

#### Data Security

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of data breaches, including leaks, thefts and losses of data	0	#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
As MED is a listed company, any breach of its security protocols for safeguarding confidential data could subject the company to penalties imposed by the Philippine Stock Exchange and the Securities and	The company's employees manual embodies the company code of business conduct and ethics that specifies the company rules and the employees' duties and responsibilities to ensure

Exchange Commission.	data security as well as penalties for violations thereof. Management ensures such rules are strictly adhered to by its employees.
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Although the company has never experienced a data security breach, it acknowledges that the possibility of such breach exists in the form of employee theft of soft data stored in office computers or unauthorized employee reproduction of files kept in filing cabinets. Another identifiable risk is that unknown external hackers may gain illegal access to the company's data server.	Management constantly reminds all employees to strictly adhere to company rules on data security. Furthermore, MED employs the contractual services of an IT and Data Security Consultant to monitor the security of the office computer server and desktop computers and recommend the necessary security hardware and software for acquisition as well as security protocols for implementation of company management.
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Opportunities to safeguard data security can be identified through full awareness about the availability of new hardware, software and protocols to enhance and ensure complete protection against data hackers.	Management intends to always follow the recommendations of its IT and Data Security Consultant for safeguarding the company's confidential data.

## UN SUSTAINABLE DEVELOPMENT GOALS

### Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
MED does not have a substantial investment in a corporation that may be considered its subsidiary. MED also does not manufacture any product nor provide any services.	MED is supportive of UN's no poverty goal despite not having any products nor services. The company and its employees donate used but sellable items to Caritas Manila in support of its Segunda Mana program for the poor.	We can still try to do more to help alleviate poverty in the country.	MED will continue to support the programs of Caritas Manila. It will likewise look for other institutions geared towards helping the poor and will support its programs.

*\* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*