COVER SHEET

SEC Registration Number

3	9	6	5	2						

Company Name

M	E	D	C	O		H	O	L	D	I	N	G	S	,		I	N	C.											

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

3	1	s	t			F	L	O	O	R		R	U	F	I	N	O		P	A	C	I	F	I	C		T	O	W
E	R		6	7	8	4		A	Y	A	L	A		A	V	E	N	U	E		M	A	K	A	T	I		C	I
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Form Type

F	O	R	M		1	7	-	A

Department requiring the report

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	(02) 811-0465	

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	Email Address	Telephone Number/s	Mobile Number
Mr. Dionisio E. Carpio, Jr.	denniscarpio@medco.com.ph	(02) 811-0465	

Contact Person's Address

31st 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

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, 2018**

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**
   Province, Country or other jurisdiction of incorporation or organization

6. [ ] (SEC Use Only)
   Industry Classification Code:

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) 811-0465 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

Title of each class	Number of shares of common stock outstanding and amount of debt outstanding
Common	**3,159,292,441 shares (₱0.05 par value per share)**

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

Philippine Stock Exchange (PSE)	Common
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, 2018, the aggregate market value of the voting stock held by non-affiliates of the registrant was P295,622,496 (based on the closing price of ₱0.465 per share on December 28, 2018).

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, 2018 are as follows:

Name	Place of incorporation	Fully paid-up common share capital	Percentage of direct equity ownership of MHI	Principal Activities
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

From March 29, 2000 up to April 27, 2017, Medco Asia Investment Corporation ("MAIC"), was a 64.54%-owned principal subsidiary of the Corporation. However, on April 27, 2017, the Corporation sold all of its investment holdings in MAIC to a third party.

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.

Last year, the Corporation beneficially-owned 10.31% of Exportbank which included the 7.86% equity investment in Exportbank then held by its former subsidiary MAIC. In view of the aforementioned divestment of its shareholdings in MAIC, the Corporation's ownership in the bank has been reduced to its direct equity stake of 2.45%.

Other Affiliate

Manila Exposition Complex, Inc. 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, 2018, 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 2018, 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, 2018 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 2019 were as follows:

1st Quarter	
High	Low
P0.57	P0.44

The high and low prices for each quarter of 2018 were as follows:

1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
High	Low	High	Low	High	Low	High	Low
P0.70	P0.52	P0.66	P0.51	P0.61	P0.51	P0.54	P0.42

The high and low prices for each quarter of 2017 were as follows:

1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
High	Low	High	Low	High	Low	High	Low
P0.87	P0.56	P0.83	P0.64	P0.79	P0.68	P0.71	P0.55

Recent Sales of Unregistered Securities. -- NONE

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, 2018, there were 675 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, 2018:

	Name	**No. of Shares Held**	**% of Total**
1.	Bonham Strand Investments Ltd.	2,201,179,241	69.6732%
2.	Citivest Asia Limited	322,314,874	10.2021%
3.	PCD Nominee Corp.	339,808,156	10.7558%
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.	Rodrigo, Raul	1,000,000	0.0317%
8.	Lo, Eduardo	394,000	0.0125%
9.	Ibardolaza, Marita	100,000	0.0032%
10.	Chong, Lilian	50,000	0.0016%
11.	Bautista, Emmanuel T. &/or Bernardita P. Bautista	40,000	0.0013%
12.	Uy, Arturo &/or Arnel Uy	40,000	0.0013%
13.	Guevara, Anna Georgina	23,000	0.0007%
14.	Cua, Henry	20,000	0.0006%
15.	Libertad Development Corp.	20,000	0.0006%
16.	Ong, Lyn	20,000	0.0006%
17.	Ramos, Angela	20,000	0.0006%
18.	Avis, Jose T.	19,000	0.0006%
19.	Cua, Bernice Yang	10,011	0.0003%
20.	Banda, Jovita L.	10,000	0.0003%

As at December 31, 2018, the number of shares held by the public was 635,747,303 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 A of this Report.

Plan of Operation

Although the Corporation incurred a net loss in the previous year which resulted in a capital deficiency of P83,484,211, it has become profitable and earned a net income of P2,738,406 in 2018 and has attained a positive equity of P54,369,186 with the implementation of its recapitalization plan during that year. The Corporation reported a deficit of P807,746,058 as of December 31, 2017 but has achieved a turnaround with retained earnings of P383,373,182 as of December 31, 2018. Management believes that the Corporation will achieve positive operations in future years.

The Corporation has implemented the following recapitalization plan, which 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, in addition to the current additional paid-in capital balance, 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.

The Corporation is confident that it can satisfy its cash requirements not only in the next twelve (12) months but also on a long- term basis. Its liquid assets as at December 31, 2018 consisted of P15.4 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, 2018, 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, 2018, 2017 and 2016

2018

Total revenues for the year ended 2018 increased by approximately 35% compared to the previous year. Consolidated revenues for this year consisted mainly of dividend income (98%), interest income from short-term placement and bank deposits (1.90%), and foreign exchange gain (0.10%).

The increase in consolidated revenues was mainly due to the increase in dividend income received from Manila Exposition Complex, Inc. (MEC). Interest income increased because of the higher amount of cash and cash equivalents in 2018 than in 2017 which were placed as time deposit placements with a local bank.

On the other hand, total consolidated expenses decreased by approximately 22% compared to the prior year. The expenses for this year were composed of employee benefits (45%), taxes & licenses (20%), professional fees (9%), occupancy (5%), representation (4%), and other expenses (17%).

The decrease in the 2018 expenses relative to 2017 was mainly due to the lower fees paid by the Corporation in 2018. Payment of SEC fees in relation to the filing of increase in authorized capital of the Corporation was made in 2017. No payment of this nature was incurred in 2018. Also in 2017, professional fees were paid for the loan verification report and the fairness opinion rendered by independent financial advisors on the Corporation's debt to equity conversion. No such fees were paid in 2018.

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

2017

Total consolidated revenues for the year ended 2017 includes the results of operations of the Parent Company (MHI) for the year and the results of operations of MAIC from January 1, 2017 to April 27, 2017. It is noteworthy that there is an increase in consolidated revenues by 668% compared to the previous year. Consolidated revenues for this year consisted mainly of gain on deconsolidation of subsidiary (91%), dividend income (8.70%) and interest income from short-term placement and bank deposits (.30%).

The recognition of gain on deconsolidation of subsidiary in the 2017 consolidated statement of comprehensive income was the result of the Corporation's sale of all its investment holdings in MAIC to a third party on April 27, 2017. The difference between the consideration received and the net asset value as of disposal date of MAIC amounting to P63,033,564 was recognized and presented therein as gain on deconsolidation of subsidiary. As MAIC was in a capital deficiency position, its disposal resulted in the derecognition of accumulated losses in the consolidated figures equivalent to the recognition of gain on deconsolidation. It is noteworthy that such gain does not pertain to any actual earnings being realized by the Corporation but is rather just a result of compliance with the requirements of accounting standards.

On the other hand, total consolidated expenses decreased by approximately 21% compared to the prior year. The expenses for this year were composed of employee benefits (42%), professional fees (13%), membership fees and dues (11%), occupancy (7%), taxes and licenses (7%), representation (5%) and other expenses (15%).

The decrease in the 2017 consolidated expenses relative to 2016 was due mainly to the non-consolidation MAIC's salaries, employee benefits and representation expenses after the date of sale of the subsidiary.

Other components of expenses, such as occupancy, communication and foreign exchange losses, also posted a decrease in the year under review.

2016

Consolidated revenues for the year ended December 31, 2016 increased by 50% compared to the prior year's figure. During the year under review, revenues consisted of dividend income (99.95%), and interest income from short-term placements (.05%).

The increase in consolidated revenues was mainly due to the 50% increase in dividend income from Manila Exposition Complex, Inc. Interest income contracted because of the reduction in deposit placements due to withdrawals for the Corporation's working capital requirements.

On the other hand, there was a slight increase in total consolidated expenses compared to the prior year. The expenses for this year were composed of employee benefits (58%), occupancy (12%), professional fees (8%), representation (5%), membership fees and dues (3%) and other expenses (14%).

The slight increase in the 2016 consolidated expenses was mainly due to the foreign exchange losses in the Corporation's dollar denominated liability due to a higher exchange rate conversion from dollar to peso as at December 31, 2016. Finance cost also posted an increase this year.

Financial Condition and Changes in Financial Condition as of December 31, 2018, 2017 and 2016

2018

As to the balance sheet as at the end of this year, total assets increased by 34% compared to the previous year. Total assets were composed of financial assets at fair value through other comprehensive income (73%), cash and cash equivalents (26%), due from related parties, receivables and other assets (1%).

The increase was mainly due to the fair value changes in the Corporations' financial assets at Fair Value through Other Comprehensive Income (FVOCI), relating to investment in Manila Exposition Complex, Inc. (MEC). In accordance with the provisions of PFRS 9, which took effect during the year, this account was reclassified from Available-for-Sale (AFS) Financial Assets to Financial Assets at Fair Value through Other Comprehensive Income (FVOCI). Furthermore, based thereon, the unquoted equity securities under the AFS Financial Asset account in the 2017 balance sheet with a carrying amount of P31,268,750 was determined to have a fair value of P43,457,288 as at December 31, 2018. The cash and cash equivalents account also increased by 37%. This was due to the 50% increase in the cash dividend received from MEC this year as compared with that of last year's dividend. Another reason for the increase was because of the cash payment made by Capital Place International Ltd. (CPIL) for the advances it owed to the Corporation thereby also decreasing the due from related parties account.

There was a significant decrease on the liabilities side this year as compared to the prior year. The decrease was due to the reclassification of both Due to Bonham Strand Investments Ltd. and Due to Mr. Xu Hanjiang accounts to Capital Stock, following the approval of the SEC of the capital increase and the issuance of new MED shares.

As at December 31, 2018, the total shareholders' fund of the Corporation amounted to P54.3 million.

2017

The consolidated statement of financial position as of December 31, 2017 pertains solely to the balances of the Parent Company.

Referring to the balance sheet as at the end of this year, total assets increased by 111% compared to the previous year. Total assets were mainly composed of available-for-sale investments (70%), cash and cash equivalents (25%), and due from related parties and receivables (5%).

The increase in the cash and cash equivalents account was due to the cash payment made by MAIC for the advances it owed prior to its being sold thereby also decreasing the due to related parties account on the liabilities side. The derecognition of the intercompany payable of former subsidiary MAIC also contributed to the decrease in the due to related parties account.

As at December 31, 2017, the total shareholders' fund of the Corporation resulted in a capital deficiency of P83.5 million.

2016

With respect to the balance sheet as at the end of 2016, there was an 11% increase in total assets as compared to the previous year. Total assets for this year were composed mainly of available-for-sale investments (78%), cash and cash equivalents (13%), due from related parties and receivables (7%) and other assets (2%).

As discussed in the foregoing results of operations for 2016, the increase in the total assets was mainly due to the 50% increase in the cash dividend received from Manila Exposition Complex, Inc. this year as compared with that of last year's dividend.

On the other hand, the increase in the accounts payable and other liabilities, as well as the due to related parties account, was due to the advances obtained for working capital requirements.

As at December 31, 2016, the total shareholders' fund of the Corporation on a consolidated basis resulted in a capital deficiency of P143.5 million.

Prospects for 2019

The year 2019 will likely be another good year as growth in the country's economy this year is expected to approximate the GDP growth achieved last year. Likewise, local business sentiment as well as foreign investors' interest in the Philippines as an investment venue is expected to remain favorable.

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, 2018 consisted of P15.40 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 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, 2018, 2017 and 2016

		(Parent)	(Consolidated)	
		2018	2017	2016
1. Revenue Growth	Revenue Y1-Y0 / Revenue Y0	34.53%	668%	50%
2. Net Income Growth*	Net Loss Y1-Y0 / Net Loss Y0	-288.60%	NA	NA
3. Return on Equity**	Net Income / Ave. Stockholders' Equity	5.04%	NA	NA
4. Current Ratio	Current Assets / Current Liabilities	4.77x	0.10x	0.04x
5. Debt-to-Equity-Ratio**	Total Liabilities / Stockholders' Equity	0.09x	NA	NA

* Losses
** Capital Deficiency in 2017 and 2016

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 2018 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, 2018 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 sixty-nine (69), 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-two (72), 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. He was the senior vice president, treasurer and director of Medco Asia Investment Corporation (MAIC) from September 1, 1997 to April 27, 2017. Before joining MAIC in 1995, he was connected with Far East Bank and Trust Company. 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.

CALY D. ANG, Filipino, aged seventy-one (71), has been a director of the Corporation and of MAIC since 1995. She has been an independent director of the Corporation since 2006 and of MAIC from 2006 to April 27, 2017. She is the president and general manager of Multi-World Philippines International, Inc. from 1989 up to the present and a director and president of Concord World Properties, Inc. from 1991 to the present. She graduated from Adamson University, Manila obtaining a Bachelor of Science degree in Commerce in 1969 and a MBA from the same institution in 1971.

SOLOMON R. B. CASTRO, Filipino, aged fifty (50), has been a director of the Corporation since 1998 to the present. He has been an independent director since 2002. He was the corporate secretary and vice president-legal counsel of MAIC from May 1997 to August 1998. He is the managing director and senior advisor of CFP Strategic Transaction Advisors, Inc. since 2010. He is also an infrastructure transaction specialist for the International Finance Corporation, the private sector arm of the World Bank Group, since 2008. Mr. Castro is a member of the Philippine bar. He holds a Bachelor of Science degree in Business Administration and a Bachelor of Laws degree from the University of the Philippines. He also has a Master of Laws degree from Cornell University, New York. His practice areas include public-private partnerships, project finance, banking, securities regulation, mergers and acquisitions, and general corporate law.

EDNA D. REYES, Filipino, aged seventy-one (71), 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 forty-nine (49), 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.

Executive Officers

The following are the principal officers of the Corporation:

Chairman of the Board	-	Bobby Chong Sai Cheng
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 thirty-eight (38), 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, 2018, 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

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
Dionisio E. Carpio, Jr. (President)	2017	None	None	P55,000
	2018	None	None	P45,000
	2019 (Estimated)	None	None	P45,000
Pauline C. Tan (Treasurer and Compliance Officer)	2017	P2,340,000	None	P55,000
	2018	P2,340,000	None	P45,000
	2019 (Estimated)	P2,340,000	None	P45,000
All Top Executive Officers and Directors as a group	2017	P2,340,000	None	P334,000
	2018	P2,340,000	None	P274,000
	2019 (Estimated)	P2,340,000	None	P391,000

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.

(d) 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, 2018:

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	Citivest Asia Limited c/o Room 2301, Tower One, Lippo Centre, 89 Queensway Hong Kong (Significant Shareholder of the Issuer)	Citivest Asia Limited c/o Room 2301, Tower One, Lippo Centre, 89 Queensway Hong Kong	Foreign	322,314,874	10.2021%
Common	PCD Nominee Corp. Makati Stock Exchange Bldg., Ayala Avenue Makati City (No Relationship with Issuer)	Various beneficial owners	Filipino/Others	339,808,156	10.7558%
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, 2018, 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	(indirect)	Filipino	Nil
	TOTAL	51,000			

Aside from the above, Mr. Carpio and 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.

PART IV - EXHIBITS AND SCHEDULES

	Page/Incorporation by Reference
(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) Plan of Acquisition	not applicable
(3) Instruments Defining the Rights of Securities Holders	not applicable
(4) Voting Trust Agreement	not applicable
(5) Annual Report to Security Holders	not applicable
(6) Change in Certifying Accountant	not applicable
(7) Report furnished to Security Holders	not applicable
(8) Subsidiaries of the Registrant	not applicable
(9) Published Report Regarding Matter Submitted to Vote of Security Holders	not applicable
(10) Consents of Experts and Independent Counsel	not applicable
(11) 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 April 10, 2019.

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

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

SUBSCRIBED AND SWORN to before me this 12 APR 2019, affiants exhibiting to me their Passport/SSS Numbers as follow:

NAMES	SSS / PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Sai Chong Cheng	752019881	July 9, 2008	United Kingdom of Great Britain and Northern Ireland
Dionisio E. Carpio, Jr	03-1710841-7		Manila
Pauline C. Tan	33-0293610-9		Manila

Doc. No. 8 ;
Page No. 3 ;
Book No. 91 ;
Series of 2019

RUBEN T.M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2019
IBP NO. 058333/01-3-15 - Appointment #M-17
ROLL NO. 28947/MCLE NO. V-0025663/9-4-2
PTR NO. MKT 7333572/01-3-19 MAKATI

Medco Holdings, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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, 2018 and 2017, 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.

Sai Chong Cheng
Chairman of the Board
TIN 911-812-692

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

Pauline C. Tan
Treasurer
TIN 100-666-150

Signed this 10th day of April 2019

APR 12 2019 MAKATI CITY

SUBSCRIBED AND SWORN to before me this _____day of_____at_____, affiant exhibiting to me their SSS /Passport Numbers as follow:

Sai Chong Cheng	752019881	July 9, 2008/United Kingdom of Great Britain and Northern Ireland
Dionisio E. Carpio, Jr.	33-08894245	Manila, Philippines
Pauline C. Tan	33-02936109	Manila, Philippines

Doc. No. 7
Page No. 7
Book No. 911
Series of 2019

RUBEN T.M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2019
IBP NO. 058335/1-8-19-Repointment #M-127
ROLL NO. 28947/MCLE NO. V-0025583/9-8-2017
PTR NO. 7-1-19 MAKATI CITY

31/F Rufino Pacific Tower, 6784 Ayala Avenue, Makati City 1229, Philippines
Tels.: (632) 811-04-65 to 67 Fax (632) 811-0521

P&A
Grant Thornton

An instinct for growth™

Financial Statements and Independent Auditors' Report

Medco Holdings, Inc.

December 31, 2018, 2017 and 2016

P&A
Grant Thornton

An instinct for growth™

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

T +63 2 988 2288

Report of Independent Auditors

The Board of Directors
Medco Holdings, Inc.
(A Subsidiary of Bonham Strand Investments Ltd.)
31st 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, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity (capital deficiency) and statements of cash flows for the three years in the period ended December 31, 2018, 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, 2018 and 2017, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2018 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1.2 to the financial statements, which indicates that the Company incurred net losses in previous years which resulted in capital deficiency of P83,484,211 as at December 31, 2017. These events or conditions indicate existence of material uncertainty that may cast significant doubt on the Company. In response to this matter, Bonham Strand Investments Ltd., the parent company, has committed to continue providing financial support until the Company's financial condition and performance improves and becomes self-sustaining. 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.

(a) Adoption of PFRS 9, Financial Instruments

Description of the Matter

Effective January 1, 2018, the Company adopted PFRS 9, *Financial Instruments*, which replaced Philippine Accounting Standard 39, *Financial Instruments: Recognition and Measurement*. The adoption of this new standard, which primarily affected the Company's classification and measurement of its financial assets and impairment of financial instruments using the expected credit losses, is considered significant in our audit due to the complexity of the accounting requirements and the significant judgment required in determining assumptions to be used in applying the standard.

The impact of the adoption of PFRS 9 and the related changes in accounting policies, basis of judgment and estimates, and risk management policies and procedures are disclosed in Notes 2, 3 and 4 to the financial statements.

How the Matter was Addressed in the Audit

We have obtained an understanding of the Company's implementation process of PFRS 9, including the changes to the Company's policies. Our audit procedures for each of the new requirements of the PFRS 9 are the following:

(i) Classification and Measurement

- Evaluating the appropriateness of the Company's policy for classification and measurement of financial instruments based on the requirements of PFRS 9.

- Reviewing the sufficiency and appropriateness of the business model assessment and contractual cash flows characteristics assessment (i.e., testing if the cash flows arising relate solely to payment of principal and interest) performed by the Company on their financial assets.

- Reviewing the classification and measurement analysis done by the Company regarding the classification of financial assets into fair value through profit or loss, amortized cost and fair value through other comprehensive income.

- Evaluating the appropriateness of transition adjustments as a result of the adoption of PFRS 9 on classification and measurement of financial assets, and determining the adequacy of the related financial statement disclosures, including changes in accounting policies and basis of judgment and estimates.

(ii) Impairment

- Evaluating the appropriateness of the impairment policies, particularly those requiring the exercise of judgment such as when a credit exposure has experienced a significant increase in credit risk.

- Understanding and assessing appropriateness of expected credit loss (ECL) models used, including reasonableness of overlays or forward-looking information.

- Assessing completeness, accuracy, relevance and reliability of inputs in the ECL models, including historical information sourced outside of the controllership function or obtained from the third party sources.

- Reviewing the assessment done by the Company regarding appropriateness of the ECL models and assumptions and estimates used and reasonableness of computed impairment loss.

- Evaluating appropriateness of the impairment adjustments resulting in the transition to PFRS 9, including completeness and reasonableness of related ECL disclosures.

(b) Valuation of Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

Description of the Matter

The fair valuation of financial assets of the Company is considered a key area of focus in our audit due to use of significant quantitative unobservable inputs in computing the market value of these financial assets. The Company has unquoted equity securities previously classified as Available-For-Sale Financial Assets and as Other Assets both carried at cost less allowance for impairment. Upon adoption of PFRS 9, these securities are classified as Financial Assets at FVOCI and held at fair value. The fair value of the financial assets at FVOCI is determined using dividend discount model and net asset valuation approach.

The Financial Assets at FVOCI of the Company that are carried at fair value amounted to P43,457,288 as of December 31, 2018.

How the Matter was Addressed in the Audit

Our audit procedures, included among others, the items enumerated below.

- Assessing the reasonableness of unobservable inputs used and evaluating the valuations techniques used by the management.

- Comparing the methodologies applied and assumptions used by the management with our expectations and emerging market activity.

- Reviewing the formulas used in fair market valuation and recomputing the fair values based on inputs and methodologies applied.

The Company's disclosures about Financial Assets at FVOCI are presented in Note 7.

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, SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 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, 2018 required by the Bureau of Internal Revenue as disclosed in Note 20 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 2018 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. 7333691, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-2 (until Mar. 15, 2020)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-32-2016 (Oct. 4, 2016 until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 10, 2019

MEDCO HOLDINGS, INC.
(A Subsidiary of Bonham Strand Investments Ltd.)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2018	2017
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	6	P 15,402,926	P 11,266,113
Receivables - net	8	648,508	637,844
Due from related parties	12	2,000	1,352,000
Total Current Assets		16,053,434	13,255,957
NON-CURRENT ASSETS			
Financial assets at fair value through other comprehensive income - net	7	43,457,288	-
Available-for-sale financial assets - net	7	-	31,268,750
Other assets - net	9	59	59
Total Non-current Assets		43,457,347	31,268,809
TOTAL ASSETS		P 59,510,781	P 44,524,766
LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)			
CURRENT LIABILITIES			
Accrued expenses and other liabilities	10	P 217,090	P 123,122,641
Due to related parties	12	3,150,000	3,150,000
Total Current Liabilities		3,367,090	126,272,641
NON-CURRENT LIABILITY			
Post-employment benefit obligation	13	1,774,505	1,736,336
Total Liabilities		5,141,595	128,008,977
EQUITY (CAPITAL DEFICIENCY)			
Capital stock	5	157,964,622	700,000,000
Additional paid-in capital	5	25,498,912	25,498,912
Revaluation reserves	7,13	(512,467,530)	(1,237,065)
Retained earnings (Deficit)	5	383,373,182	(807,746,058)
Total Equity (Capital Deficiency)	1	54,369,186	(83,484,211)
TOTAL LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)		P 59,510,781	P 44,524,766

See Notes to Financial Statements.

MEDCO HOLDINGS, INC.
(A Subsidiary of Bonham Strand Investments Ltd.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2018	2017	2016
INCOME				
Dividends	7	P 9,000,000	P 6,000,000	P 9,000,000
Interest income	6	173,925	121,619	4,548
Foreign exchange gains - net		3,313	129	-
Gain on sale of a subsidiary	1	-	700,000	-
		9,177,238	6,821,748	9,004,548
EXPENSES				
Employee benefits	13	2,869,955	3,033,133	2,945,042
Taxes and licenses	20	1,267,889	682,788	17,854
Professional and management fees		607,420	1,272,500	655,000
Membership fees and dues		319,000	1,157,860	294,050
Occupancy	12	312,000	312,000	312,000
Representation		250,214	328,329	278,773
Impairment losses	9	137,177	202,433	135,163
Interest expense	13	98,623	295,374	192,006
Communication		62,596	96,821	30,921
Transportation		32,715	222,223	217,675
Foreign exchange losses - net		-	-	182,533
Others	11	446,252	645,917	499,215
		6,403,841	8,249,378	5,760,232
PROFIT (LOSS) BEFORE TAX		2,773,397	(1,427,630)	3,244,316
TAX EXPENSE	14	34,991	24,306	890
NET PROFIT (LOSS)		2,738,406	(1,451,936)	3,243,426
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Fair value loss on financial assets at other comprehensive income	7	(9,296,356)	-	-
Remeasurements of post-employment defined benefit obligation	13	(38,169)	394,098	(29,221)
Other Comprehensive Income (Loss)		(9,334,525)	394,098	(29,221)
TOTAL COMPREHENSIVE INCOME (LOSS)		(P 6,596,119)	(P 1,057,838)	P 3,214,205
Basic and Diluted Earnings Per Share	15	P 0.002	(P 0.002)	P 0.005

See Notes to Financial Statements.

MEDCO HOLDINGS, INC.
(A Subsidiary of Bonham Strand Investments Ltd.)
STATEMENTS OF CHANGES IN EQUITY (CAPITAL DEFICIENCY)
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

	Capital Stock (see Note 5)	Additional Paid-in Capital (see Note 5)	Revaluation Reserves (see Notes 7 and 13)	Retained Earnings (Deficit) (see Note 5)	Total Equity (Capital Deficiency)
Balance at January 1, 2018					
As previously reported	P 700,000,000	P 25,498,912	(P 1,237,065)	(P 807,746,058)	(P 83,484,211)
Effect of adoption of PFRS 9	-	-	(501,895,940)	523,380,834	21,484,894
As restated	700,000,000	25,498,912	(503,133,005)	(284,365,224)	(61,999,317)
Decrease in the par value of capital stock	(665,000,000)	665,000,000	-	-	-
Equity restructuring	-	(665,000,000)	-	665,000,000	-
Issuance of shares during the year	122,964,622	-	-	-	122,964,622
Total comprehensive income (loss)	-	-	(9,334,525)	2,738,406	(6,596,119)
Balance at December 31, 2018	P 157,964,622	P 25,498,912	(P 512,467,530)	P 383,373,182	P 54,369,186
Balance at January 1, 2017	P 700,000,000	P 25,498,912	(P 1,631,163)	(P 806,294,122)	(P 82,426,373)
Total comprehensive income (loss)	-	-	394,098	(1,451,936)	(1,057,838)
Balance at December 31, 2017	P 700,000,000	P 25,498,912	(P 1,237,065)	(P 807,746,058)	(P 83,484,211)
Balance at January 1, 2016	P 700,000,000	P 25,498,912	(P 1,601,942)	(P 809,537,548)	(P 85,640,578)
Total comprehensive income (loss)	-	-	(29,221)	3,243,426	3,214,205
Balance at December 31, 2016	P 700,000,000	P 25,498,912	(P 1,631,163)	(P 806,294,122)	(P 82,426,373)

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, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		P 2,773,397	(P 1,427,630)	P 3,244,316
Adjustments for:				
Interest income	6	(173,925)	(121,619)	(4,548)
Impairment losses	9	137,177	202,433	135,163
Unrealized foreign exchange losses (gains) - net		(3,313)	(129)	182,533
Gain on sale of subsidiary	1	-	(700,000)	-
Operating profit (loss) before working capital changes		2,733,336	(2,046,945)	3,557,464
Increase in receivables		(10,664)	(6,847)	(166,447)
Decrease (increase) in due from related parties		1,350,000	7,650,000	(4,500,000)
Increase in other assets		(137,177)	(199,733)	(133,872)
Decrease in due to related party		-	(120,180,426)	-
Increase in accrued expenses and other liabilities		59,071	120,116,915	2,570,586
Decrease in post-employment benefit obligation		-	(3,476)	(37)
Cash generated from operations		3,994,566	5,329,488	1,327,694
Interest received		173,925	121,619	4,548
Cash paid for final taxes		(34,991)	(24,306)	(890)
Net Cash From Operating Activities		4,133,500	5,426,801	1,331,352
CASH FLOWS FROM AN INVESTING ACTIVITY				
Proceeds from sale of a subsidiary	1	-	700,000	-
CASH FLOWS FROM A FINANCING ACTIVITY				
Proceeds from advances obtained from related parties	12	-	-	2,579,899
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		3,313	129	(182,533)
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,136,813	6,126,930	3,728,718
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		11,266,113	5,139,183	1,410,465
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 15,402,926	P 11,266,113	P 5,139,183

Supplemental Information on Non-cash Investing Activity –

In 2018, the Company entered into a SEC-approved equity restructuring process that includes the decrease of the par value of capital stock and applying the resulting surplus against outstanding deficit as of December 31, 2017. The Company also issued new shares through the application of liabilities that are previously presented under the Accrued Expenses and Other Liabilities account in the 2017 statement of financial position (see Notes 5 and 10).

See Notes to Financial Statements.

MEDCO HOLDINGS, INC.
(A Subsidiary of Bonham Strand Investments Ltd.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018, 2017 and 2016
(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).

On April 27, 2017, the Company sold all of its investment holdings over Medco Asia Investment Corporation (MAIC) to a third party. Accordingly, MAIC has been deconsolidated in 2017 and the Company will no longer prepare a consolidated financial statements starting 2018.

In 2018, following the SEC-approved equity restructuring process entered into during the year and the issuance of new shares, Bonham Strand Investments Ltd. (BSIL) acquired 69.67% ownership over the Company and thereby making the Company its subsidiary. BSIL is an entity engaged in investment holding and registered in the British Virgin Islands. Prior to this, the Company was 46.04% owned by Citivest Asia Limited (CAL), also an entity engaged in investment holding and registered in the British Virgin Islands.

The registered office of the Company, which is also its principal place of business, is located at 31st Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City. The registered office 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 Status of Operations

The Company incurred net losses in previous years which resulted in a capital deficiency of P83,484,211 as at December 31, 2017. This condition indicates the existence of a material uncertainty which casts significant doubt on the ability of the Company to continue as a going concern. In response to this matter, BSIL has committed to continue providing financial support until the Company's financial condition and performance improves and becomes self-sustaining.

The financial statements have been prepared assuming that the Company will continue as a going concern which contemplates the realization of assets and the settlement of liabilities in the normal course of business. Accordingly, the financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities which may result from the outcome of this material uncertainty.

1.3 Approval of Financial Statements

The financial statements of the Company as at and for the year ended December 31, 2018 (including the comparative financial statements as at December 31, 2017) were authorized for issue by the Company's Board of Directors on April 10, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized 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 (IASB) and approved by the Philippine Board of Accountancy.

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 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.

In 2018, the Company adopted PFRS 9, *Financial Instruments*, which was applied using the transitional relief allowed by the standard. This allowed the Company not to restate its prior periods' financial statements. Differences arising from the adoption of PFRS 9 in relation to classification and measurement of financial assets are recognized in the opening balance of Retained Earnings (Deficit) and Revaluation Reserves in the current year [see Note 2.2(a)(i)].

The effect of adoption of PFRS 9 to the Company's total equity is a decrease of P523,380,834 in the Deficit account and net decrease of P501,895,940 in Revaluation Reserves as a result of reclassification and remeasurements of financial assets (see Note 7).

Further, the Company adopted PFRS 15, *Revenue from Contracts with Customers.* However, such adoption has no material impact on the Company's financial statements [see Note 2.2(a)(ii)].

Accordingly, the adoption of these two new accounting standards did not require the Company to present its third statement of financial position.

(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 2018 that are Relevant to the Company

The Company adopted for the first time the following amendments to PFRS, interpretation and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2018:

PFRS 9	:	Financial Instruments
PFRS 15	:	Revenue from Contracts with Customers; Clarifications to PFRS 15
International Financial Reporting Interpretations Committee (IFRIC) 22	:	Foreign Currency Transactions and Advance Consideration
Annual Improvements to PFRS (2014-2016 Cycle)		
PFRS 1 (Amendments)	:	First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions

Discussed below and in the succeeding pages are the relevant information about these new PFRS, interpretations and improvements.

(i) PFRS 9, *Financial Instruments* (issued in 2014). This new standard on financial instruments will replace PAS 39, *Financial Instruments: Recognition and Measurement,* and PFRS 9 issued in 2009, 2010 and 2013. This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments, i.e., financial assets at amortized costs, fair value through profit and loss (FVTPL), and fair value through other comprehensive income (FVOCI);

- an expected credit loss (ECL) model in determining impairment of all debt financial assets that are not measured at fair value through profit or loss, which generally depends on whether there has been a significant increase in credit risk since initial recognition of such financial assets; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

The Company's new accounting policies relative to the adoption of PFRS 9 is fully disclosed in Notes 2.3 and 2.5.

(a) Investment

The impact of the adoption of this new accounting standard to the Company's financial statements pertains to the effect of the reclassification of certain investment securities from Available-for-Sale (AFS) Financial Assets and Other Assets to Financial Assets at FVOCI. The unquoted equity securities under the AFS Financial Asset account in the 2017 statement of financial position with a carrying amount of P31,268,750 had a fair value of P52,753,644 upon reclassification on January 1, 2018 to FVOCI. The related net fair value gain of P21,484,894 is accordingly adjusted to the opening balance of Revaluation Reserves account in the statements of financial position (see Note 7). In addition, the related impairment losses previously recognized in profit or loss and Retained Earnings (Deficit), which represent the fair value losses on certain AFS financial assets and amounting to P523,380,834, was also reclassified into the Revaluation Reserves account.

(b) Credit Losses on Financial Assets at Amortized Cost

The adoption of this new accounting standard required the application of the ECL methodology through simplified approach for trade and other receivables and due from related parties. Such application, however, has not resulted in significant required allowance for credit losses for trade and other receivables.

(ii) PFRS 15, *Revenue from Contract with Customers,* together with the *Clarifications to PFRS 15* (herein referred to as PFRS 15). This new standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services.* This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of the new standard has no material impact on the Company's financial statements as the company does not have any revenue sources covered by PFRS 15.

(iii) IFRIC 22, *Foreign Currency Transactions and Advance Consideration – Interpretation on Foreign Currency Transactions and Advance Consideration.* The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The application of this amendment has no significant impact on the Company's financial statements.

(iv) Annual Improvements to PFRS 2014-2016 Cycle. Among the improvements, only PFRS 1 (Amendments), *First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions*, is identified by management relevant to the Company. The amendments removed short-term exemptions in PFRS 1 covering PFRS 7, *Financial Instruments: Disclosures*, PAS 19, *Employee Benefits*, and PFRS 10, *Consolidated Financial Statements*, because the reporting period to which the exemptions applied have already transpired.

(b) Effective in 2018 that is not Relevant to the Company

The following amendments and annual improvements to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2018 but are not relevant to the Company's financial statements:

PAS 40 (Amendments)	:	Investment Property – Reclassification to and from Investment Property
PFRS 2 (Amendments)	:	Share-based Payment – Classification and Measurement of Share-based Payment Transactions
PFRS 4 (Amendments)	:	Insurance Contracts – Applying PFRS 9 with PFRS 4
Annual Improvements to PFRS (2014-2016 Cycle)		
PAS 28 (Amendments)	:	Investment in Associates – Clarification on Fair Value Through Profit or Loss Classification

(c) Effective Subsequent to 2018 but not Adopted Early

There are new PFRS, amendments, interpretations and annual improvements to existing standards effective for annual periods subsequent to 2018, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements:

(i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement* (effective January 1, 2019). The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

(ii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendment clarifies that prepayment features with negative compensation attached to financial instruments may still qualify under the "solely payments of principal and interests" (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVOCI.

(iii) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The management plans to adopt the modified retrospective application of PFRS 16 where the cumulative effect of initially applying the standard will be recognized as an adjustment to the opening balance of Retained Earnings account at the date of initial application. The Company will elect to apply the standard to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application.

(iv) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Company to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Company has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.

(v) Annual Improvements to PFRS 2015-2017 Cycle (effective from January 1, 2019). Among the improvements, PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends* is relevant to the Company where in it clarifies that all income tax consequence of dividend payments should be recognized in profit or loss. But management has assessed that these has no material impact on the Company's financial statements as these amendments merely clarify existing requirements.

2.3 Financial Assets

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as 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.

(a) Classification, Measurement and Reclassification of Financial Assets in Accordance with PFRS 9

Under PFRS 9, 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 that are relevant to the company are described in the succeeding pages.

(i) 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 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 impairment in value.

The Company's financial assets categorized as amortized cost are presented as Cash and Cash Equivalents, Receivables - net and Due from Related Parties.

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 as Interest Income under the Income section of the statement of comprehensive income.

(ii) Financial Assets at Fair Value Through Other Comprehensive Income

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 FVTPL. The Company has designated certain equity instruments as at FVOCI on the date of initial application of PFRS 9.

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 are recognized in other comprehensive income and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves 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.

(b) Classification, Measurement and Reclassification of Financial Assets in Accordance with PAS 39

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: FVTPL, loans and receivables, held-to-maturity (HTM) investments and AFS financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss. A more detailed description of the two categories of financial assets relevant to the Company is as follows:

(i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Company's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Receivables – net and Due from Related Parties in the statement of financial position. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(ii) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in the non-current assets section of the statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period. The Company's AFS financial assets include equity securities.

All financial assets within this category are subsequently measured at fair value, except for equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost, less impairment loss, if any. Gains and losses are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured. Interest calculated using the effective interest method for all categories of financial assets is recognized in the statement of comprehensive income. Dividends on equity instruments are recognized in profit or loss when the Company's right to receive payment is established.

(c) Impairment of Financial Assets Under PFRS 9

In 2017 and prior years, the Company assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. 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.

The Company applies the simplified approach through external benchmarking in measuring ECL, which uses a lifetime expected loss allowance for all receivables. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Company uses its historical experience, external indicators and forward-looking information to calculate the ECL.

For financial assets at amortized cost, the allowance for credit losses is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since the origination of the financial asset, in such case, a lifetime ECL for a purchased or originated credit impaired, the allowance for credit losses is based on the change in the ECL over the life of the asset. The Company recognized a loss allowance for such losses at each reporting date.

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

- *Probability of default* – It is an estimate of likelihood of default over a given time horizon.

- *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.

- *Exposure at default* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation.

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

(d) Impairment of Financial Assets Under PAS 39

In 2017 and prior years the Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or Company of financial assets is impaired. The Company recognizes impairment loss based on the category of financial assets as follows:

(i) Carried at Amortized Cost – Loans and Receivables

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in profit or loss.

(ii) Carried at Cost – AFS Financial Assets

If there is objective evidence of impairment for any of the unquoted equity instruments that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and required to be settled by delivery of such an unquoted equity instrument, impairment loss is recognized. The amount of impairment loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(e) 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.

2.4 Other Assets

Other current 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

2.5 Financial Liabilities

Financial liabilities, which include accrued expenses and other liabilities (except tax-related liabilities included therein) and due to related parties, are recognized when the Company becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as an expense in the profit or loss section of the statement of comprehensive income.

Accrued expenses and other liabilities and due to related parties 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 the liability for at least twelve 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.

2.6 Offsetting Financial Instruments

Financial assets and financial liabilities are off-set 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 a 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.

2.7 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.

2.8 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.

2.9 Leases - Company as Lessee

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Company determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.10 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.

2.11 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.

2.12 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) 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.

(b) Defined Benefit Contribution Plans

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.

(c) 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 Philippine Accounting Standard 37, *Provisions, Contingent Liabilities and Contingent Assets* 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.

2.13 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 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 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 carryforward 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 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 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 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.

2.14 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.

2.15 Equity (Capital Deficiency)

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 comprise fair value changes of financial assets at FVOCI (previously as AFS financial assets) and remeasurements of the defined benefit post-employment plan.

Retained earnings (Deficit) includes the current and prior period results as reported in the profit or loss section of the statement of comprehensive income, the effect of the adoption of PFRS 9 and the application of surplus from the decrease in par value of capital stock due to the equity restructuring scheme.

2.16 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.

2.17 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) Determination of ECL on Receivables (2018)

The Company uses external benchmarking approach to calculate ECL for receivables and due from related parties. The provision rates are derived from published global credit ratings by external rating agencies, e.g., Standard & Poors credit rating, Moody's Credit Review, etc. As referenced to these external credit benchmarks, the Company defines the credit ratings based on certain financial ratios and appropriately determine the equivalent internal credit ratings. Referenced probability of default is then derived from the latest annual global corporate default study published by the external rating agency. The Company makes an annual re-assessment of the applicability and reliability of the reference rates used. Based on the determination of management, the related losses are not material to the financial statements.

(b) *Evaluation of Business Model Applied in Managing Financial Instruments (2018)*

Upon adoption of PFRS 9, 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 under PFRS 9, 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.

(c) *Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model (2018)*

In determining the classification of financial assets under PFRS 9, 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.

(d) *Impairment of AFS Financial Assets (2017)*

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Company's AFS financial assets, management concluded that the assets, except the portion that has already been provided with allowance for impairment, are not impaired as at December 31, 2017. Future changes in those information and circumstance might significantly affect the carrying amount of the assets (see Note 7).

(e) Distinction Between Operating and Finance Leases

The Company has entered in various lease agreements as lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. As at December 31, 2018 and 2017, management has determined that the current lease agreements are operating leases.

(f) 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 2.7 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 (2018)

The measurement of the allowance for ECL on financial assets at amortized cost 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). Based on the external benchmarking approach used by the Company, the required ECL allowance as of December 31, 2018 is determined by management to be immaterial to the financial statements [see also Note 3.1(a)].

(b) Impairment of Receivables and Due from Related Parties (2017)

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Company's relationship with the counterparties and their current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

The carrying value of receivables and the analysis of allowance for impairment as of December 31, 2017 on such financial assets are shown in Note 8.

(c) 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 (previously classified as AFS financial assets) and the amounts of fair value changes recognized on those assets are disclosed in Note 7.

(d) Determining 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, 2018 and 2017 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).

(e) 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 2.11). 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.

(f) 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 losses 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 most significant 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 and advances to and from related parties, 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, 2018 and 2017, the U.S. dollars denominated financial assets, translated into Philippine pesos at the closing rate amounted to P62,588 and P59,095, respectively.

The sensitivity of profit/loss 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 financial assets and financial liabilities as may be deemed necessary. At December 31, 2018 and 2017, 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.

	Notes	2018	2017
Cash and cash equivalents	6	**P 15,402,926**	P 11,266,113
Receivables – net	8	**648,508**	637,844
Due from related parties	12	**2,000**	1,352,000
		P 16,053,434	P 13,255,957

None of the Company's financial assets are secured by collateral or other credit enhancements.

(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 and Due from Related Parties

The Company applies PFRS 9 simplified approach in measuring ECL, which uses a 12-month ECL allowance for due from related parties as management considers them "low credit risk". Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Advances to employees and other receivables relate to receivables from both third and related parties and have substantially the same risk characteristics. The Company has therefore concluded that the expected loss rates are applicable for the entire group of receivables.

The provision rates based on external benchmarking are derived from published global credit ratings by external rating agencies, e.g., Standard & Poors credit rating, Moody's Credit Review, etc. These rating agencies uses evaluation of current and historical information and assesses the potential impact of foreseeable future events as basis for the credit ratings. As referenced to these external credit benchmarks, the Company defines the credit ratings based on internal default experience, potential impact of foreseeable future events as basis for the credit ratings. Management has used Moody's Credit Review rating of "Baa" on due from related parties as basis for the credit loss rates to compute for the ECL. Management has assessed that the computed ECL is immaterial; hence, no loss allowance was recognized as at December 31, 2018 and January 1, 2018 (upon adoption of PFRS 9).

The credit risk for interest receivable is considered negligible as this pertains to interest earned from short-term placements, which normally matures within 30-35 days. High credit risk is considered for accounts receivable as management believes that this may no longer be collectible.

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, the Company's financial liabilities have contractual maturities of within one year as presented below.

	Notes	2018	2017
Accrued expenses and other liabilities	10	**P 144,200**	P 123,065,622
Due to related parties	12	**3,150,000**	3,150,000
		P 3,294,200	P 126,215,622

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.

	2018	2017
Total liabilities	**P 5,141,595**	P 128,008,977
Total equity (capital deficiency)	**54,369,186**	(83,484,211)

As at December 31, 2018 and 2017, 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 P1.0 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 at December 31, 2018 and a total authorized capital stock of P700,000,000 divided into 700,000,000 common shares with a P1.00 par value as at December 31, 2017. There are 3,159,292,441 issued and outstanding shares with a total par value of P157,964,622 as of December 31, 2018, while there are 700,000,000 issued and outstanding shares with a total par value of P700,000,000 as of December 31, 2017.

As at December 31, 2018 and 2017, the Company has 478 and 476 stockholders, respectively, owning 100 or more shares each of the Company's capital stock.

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, 2018 and 2017, there are 675 and 673 holders, respectively, of the listed shares equivalent to 100% of the Company's total outstanding shares. Such listed shares closed at P0.47 per share and P0.60 per share as at December 31, 2018 and 2017, respectively. The Company has no other securities being offered for trading in any stock exchange. It currently has a pending application for listing of its newly authorized securities with the PSE.

6. CASH AND CASH EQUIVALENTS

This account consists of:

	2018	2017
Cash in banks	**P 327,179**	P 2,191,589
Short-term placements	**15,075,747**	9,074,524
	P 15,402,926	P 11,266,113

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods between 30 to 35 days and earn annual effective interest ranging from 1.380% to 5.250% in 2018 and 1.250% to 1.600% in 2017.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

Balance at beginning of year upon adoption of PFRS 9	P 52,753,644
Fair value loss	(9,296,356)
	P 43,457,288

The Company has designated the above equity securities as 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, 2018 and 2017 mainly pertains to the Company's investment in Manila Exposition Complex, Inc. (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).

The fair value of the Company's investment in MEC is determined using dividend discount model while the fair values of the investments in I-Mart and EIB were determined using the net asset valuation approach. Hence, these assets are categorized under Level 3 of the fair value hierarchy (see Note 18.2). The Company received cash dividends amounting to P9.0 million, P6.0 million, and P9.0 million in 2018, 2017 and 2016, respectively, from its investment in MEC.

In 2018, the fair value changes in the Company's financial assets at FVOCI (relating to MEC) amounted to P9.3 million, which are recognized as an adjustment in Revaluation Reserve and is presented in the 2018 statement of comprehensive income under items that will not be reclassified subsequently to profit or loss [see also Note 2.2(a)(i)].

The investments in I-Mart and EIB are carried at nil in the financial statements as of Decemeber 31, 2018 and 2017.

The Company's investments in MEC and I-Mart are presented as AFS Financial Assets in the 2017 statement of financial position and are carried at cost less allowance for impairment. The Company provided full allowance for impairment losses on its investment in I-Mart following the latter's cessation of business. On the other hand, the Company's investment in EIB was previously presented as part of Other Assets and also provided with full valuation allowance (see Note 9).

Due to the reclassification of the investments in I-Mart and EIB to the Financial Assets at FVOCI account, the related impairment losses totalling P523,380,834 previously recognized in profit or loss and Deficit account were reclassified to the Revaluation Reserves account.

8. RECEIVABLES

This account consists of the following:

	2018	2017
Accounts receivable	P 40,313,000	P 40,313,000
Interest receivables	47,563	-
Advances to employees	2,618	39,517
Other receivables	598,327	598,327
	40,961,508	40,950,844
Allowance for impairment	(40,313,000)	(40,313,000)
	P 648,508	P 637,844

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. The outstanding receivables are unsecured, noninterest-bearing and collectible in cash on demand (see Note 12.1). These receivables have been reviewed for indications of impairment. Based on such review, management determines that the related losses are immaterial to the financial statements (see Note 4.2).

9. OTHER ASSETS

This account consists of the following:

	2018	2017
Input value added tax	P 1,757,709	P 1,620,532
Miscellaneous	59	59
Investments	-	478,380,834
	1,757,768	480,001,425
Allowance for impairment	(1,757,709)	(480,001,366)
	P 59	P 59

On April 26, 2012, the Monetary Board of the Bangko Sentral ng Pilipinas (BSP) placed EIB under receivership pursuant to Section 30 of Republic Act No. 7653, *The New Central Bank Act.* PDIC was designated as Receiver of EIB and took over EIB on April 27, 2012. Prior to the receivership order of the BSP, EIB had been incurring losses and was in negotiations to sell its assets (with assumption by the buyer of its liabilities). These negotiations did not push through and in 2011, the Company provided full allowance for impairment on the investment.

In 2016 and previous years, EIB is considered an associate because the Company has significant influence over EIB as certain members of the Company's BOD are also members of the BOD of EIB. In 2017, following the sale of MAIC, the Company determined that it no longer has significant influence over EIB. Accordingly, the investment is reclassified as part of Other Assets in the 2017 statement of financial position. In 2018, the Company reclassified the investments to Financial Assets at FVOCI (see Note 7).

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 P0.1 million and P0.2 million in 2018 and 2017, respectively, are presented as Impairment losses in the statements of comprehensive income.

10. ACCRUED EXPENSES AND OTHER LIABILITIES

This account consists of the following:

	2018	2017
Accrued expenses	**P 144,200**	P 101,000
Withholding tax payable	**72,890**	57,019
Due to Bonham Strand Investments Ltd	-	110,058,962
Due to Mr. Xu Hanjiang	-	12,905,660
	P 217,090	P 123,122,641

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

On May 31, 2017, the Company's due to related parties totalling to P120,180,426, other liabilities of P2,600,000, and accrued interest on these payables of P184,196 for the period of January to May 31, 2017, have been assigned to BSIL and Mr. Xu Hanjiang as a result of the Company's recapitalization plan (see Note 12.4). In 2018, these liabilities were used as subscription to the Company's application for increase in authorized capital stock. Following the approval of the SEC of the increase and the issuance of the related shares, the balances were reclassified to Capital Stock account in the 2018 statement of financial position (see Note 5.2).

11. OTHER EXPENSES

This account consists of:

	2018	2017	2016
Directors' fee	**P 229,000**	P 279,000	P 270,000
Office supplies	**51,911**	87,476	20,314
Insurance	**39,297**	106,187	33,913
Training and seminar	**31,600**	23,200	24,800
Repairs and maintenance	-	18,997	74,351
Miscellaneous	**94,444**	131,057	75,837
	P 446,252	P 645,917	P 499,215

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

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, 2018 and 2017 are as follows:

	Note	Amounts of Transactions 2018	2017	2016	Outstanding Receivable (Payable) 2018	2017
Subsidiary –						
Cash advances granted	12.3	P -	(P 9,000,000)	P 4,500,000	P -	P -
Related parties under common ownership and with interlocking directors and officers:						
Lease of office space	12.2	312,000	312,000	312,000	-	-
Cash advances obtained	12.4	-	(20,180,426)	2,579,899	(3,150,000)	(3,150,000)
Cash advances granted		(1,350,000)	-	-	2,000	1,352,000
Other receivables	8	-	21,830	136,943	598,327	598,327
Key management personnel –						
Salaries and other benefits	12.5	2,385,000	2,395,000	2,385,000	-	-

12.2 Lease of Office Space

The Company leases its office space from Capital Place International Limited – Philippine Branch, a related party under common ownership of Lippo Company in Hong Kong, 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 at December 31, 2018 and 2017 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 and presented as Due from Related Parties in the statements of financial position.

This account consists of the following as of December 31:

	2018	2017
CTC Entrepreneurs Corp.	P 1,000	P 1,000
Keytrend Technologies Phils., Inc.	1,000	1,000
Capital Place International Ltd.	-	1,350,000
	P 2,000	P 1,352,000

These entities are related parties of the Company by virtue of having interlocking directors and common executive officers. There was no impairment loss recognized with respect to amounts due from related parties based on management's assessment.

The movements in this account follow:

	2018	2017
Balance at the beginning of the year	P 1,352,000	P 9,002,000
Additions	-	1,350,000
Collections	(1,350,000)	(9,000,000)
Balance at end of year	P 2,000	P 1,352,000

12.4 Due to Related Parties

Due to related parties 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. In 2017, certain liabilities were assigned to third parties (see Note 10).

As of December 31 2018 and 2017, this account consists of due to Lippo Securities, Inc. amounting to P3,150,000. Management plans to pay the liability in 2019.

The movements in this account follow:

	2018	2017
Balance at the beginning of the year	P 3,150,000	P 123,330,426
Reclassification to other liabilities	-	(120,180,426)
Balance at end of year	P 3,150,000	P 3,150,000

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).

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, 2018 and 2017 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.

	2018	2017	2016
Short-term employee benefits	**P 2,688,014**	P 2,852,942	P 2,752,993
Directors' fee	**181,941**	180,191	192,049
	P 2,869,955	P 3,033,133	P 2,945,042

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 periodically or every two years to update the retirement benefit costs and the amount of contributions. All amounts presented in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2017.

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

	2018	2017
Present value of obligation	**P 3,029,980**	P 2,694,965
Fair value of the plan assets	**(1,255,475)**	(958,629)
Balance at end of year	**P 1,774,505**	P 1,736,336

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

	2018	2017
Balance at the beginning of the year	P 2,694,965	P 2,778,578
Current service cost	181,941	180,191
Interest cost	153,074	144,764
Actuarial gains arising from:		
Experience adjustments	-	(218,988)
Changes in financial assumptions	-	(189,580)
Balance at the end of year	P 3,029,980	P 2,694,965

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

	2018	2017
Balance at the beginning of year	P 958,629	P 644,668
Interest income	54,451	33,587
Return on plan assets (excluding amounts included in net interest	(38,169)	(14,470)
Contributions to the plan	280,564	294,844
Balance at end of year	P 1,255,475	P 958,629

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

	2018	2017
Cash and cash equivalents	P 779,303	P 365,155
Debt securities:		
Philippine government bonds	470,852	291,596
UITF	-	299,859
Interest receivable	6,881	2,660
Accrued trust fees	(1,561)	(641)
	P 1,255,475	P 958,629

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 of P16,282 in 2018 and P19,117 in 2017. 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:

	2018	2017	2016
Reported in profit or loss:			
Current service cost	**P 181,941**	P 180,191	P 192,049
Net interest expense	**98,623**	111,177	102,758
	P 280,564	P 291,368	P 294,807
Reported in other Comprehensive income:			
Actuarial gains arising from changes in:			
Financial assumptions	**P -**	P 189,580	P -
Experience adjustments	**-**	218,988	-
Return (loss) on plan assets (excluding amounts included in net interest expense)	**(38,169)**	(14,470)	29,221
	(P 38,169)	P 394,098	P 29,221

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

Net interest expense is included as part of 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:

	2018	2017	2016
Current service cost	**5.68%**	5.68%	5.70%
Expected rate of salary increase	**4.00%**	4.00%	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 18 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 if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents, government and corporate debt securities. Due to the long-term nature of the plan obligation, a level of continuing equity investments 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 pages.

(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, 2018 and 2017:

	Impact on Defined Benefit Obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
2018			
Discount rate	**100 basis points**	**(P 365,255)**	**P 427,946**
Salary increase rate	**100 basis points**	**433,373**	**(378,109)**
2017			
Discount rate	100 basis points	(P 356,647)	P 423,450
Salary increase rate	100 basis points	425,380	(362,343)

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 P1,774,505 based on the latest actuarial valuation. 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. CURRENT AND DEFERRED TAXES

Tax expense reported in profit or loss of the Company for the years ended December 31, 2018, 2017 and 2016 pertains solely to final taxes on interest income earned from cash and cash equivalents.

The reconciliation of tax on pretax profit (loss) for 2018, 2017 and 2016 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 in the succeeding page.

	2018	2017	2016
Tax on pretax profit (loss) at 30%	P 832,019	(P 428,289)	P 973,295
Adjustment for income subjected to lower tax rates	(17,187)	(12,180)	(474)
Tax effect of			
Nontaxable income	(2,700,000)	(1,800,000)	(2,700,000)
Unrecognized deferred tax asset (DTA) on temporary differences	1,814,255	2,113,971	1,671,001
Nondeductible expenses	105,904	150,804	57,068
Tax expense	P 34,991	P 24,306	P 890

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:

	2018		2017	
	Amount	Tax Effect	Amount	Tax Effect
Allowance for impairment	P 40,313,000	P 12,093,900	P 563,693,834	P 169,108,150
NOLCO	19,149,694	5,744,908	17,958,166	5,387,450
Retirement benefit obligation	1,774,505	532,351	1,736,336	520,901
Unamortized past service cost	461,979	138,594	451,327	135,398
Unrealized foreign currency losses (gains) – net	(3,313)	(994)	(129)	(39)
	P 61,695,865	P 18,508,759	P 583,839,534	P 175,151,860

The breakdown of the Company's NOLCO as at December 31, 2018, which can be claimed as deductions from future taxable income within three years from the year the taxable loss was incurred, is shown in the succeeding page.

Year	Original Amount	Expired Balance	Remaining Balance	Valid Until
2018	P 6,040,305	P -	P 6,040,305	2021
2017	7,896,164	-	7,896,164	2020
2016	5,213,225	-	5,213,225	2019
2015	4,848,777	4,848,777	-	
	P 23,998,471	P 4,848,777	P 19,149,694	

The Company is subject to MCIT which is computed at 2% of gross income, as defined under the tax regulations, or RCIT whichever is higher. There was no MCIT and RCIT incurred in 2018 and 2017 as the Company is in a gross and taxable loss position in both years.

In 2018 and 2017, each entity in 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 loss per share for the years ended December 31, 2018, 2017 and 2016 is computed as follows:

	2018	2017	2016
Net profit (loss) attributable to the shareholders of the Company	P 2,738,406	(P 1,451,936)	P 3,243,426
Divided by the weighted average number of outstanding shares	1,676,885,609	700,000,000	700,000,000
Basic and diluted earnings (loss) per share	P 0.002	(P 0.002)	P 0.005

The Company has no potentially dilutive common shares as at December 31, 2018, and 2017.

16. COMMITMENTS AND CONTINGENCIES

16.1 Operating Lease Commitments

The Company is a lessee under a non-cancellable lease agreement covering certain office space. The lease is for a period of one year which may be renewed for another year (see Note 12.2). Future minimum lease payments of the Company amounted to P312,000 as of December 31, 2018 and 2017.

16.2 Others

There are other 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, 2018 and 2017, 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.

	Notes	2018		2017	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets					
At amortized cost (Loans and receivables in 2017):					
Cash and cash equivalents	6	P 15,402,926	P 15,402,926	P 11,266,113	P 11,266,113
Receivables - net	8	648,508	648,508	637,844	637,844
Due from related parties	12	2,000	2,000	1,352,000	1,352,000
		16,053,434	16,053,434	13,255,957	13,255,957
Financial assets at FVOCI (Available-for-sale financial assets in 2017):					
Equity securities	7	43,475,288	43,475,288	31,268,750	31,268,750
		43,457,288	43,457,288	31,268,750	31,268,750
		P 59,510,722	P 59,510,722	P 44,524,707	P 44,524,707

	Notes	2018 Carrying Value	2018 Fair Value	2017 Carrying Value	2017 Fair Value
Financial liabilities at amortized cost					
Accrued expenses and other liabilities	10	P 144,200	P 144,200	P 123,065,622	P 123,065,622
Due to related parties	12	3,150,000	3,150,000	3,150,000	3,150,000
		P 3,294,200	P 3,294,200	P 126,215,622	P 126,215,622

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. As such, the Company's outstanding receivables from related parties amounting to P2,000 and P1,352,000 as of December 31, 2018 and 2017 can be offset against a portion of outstanding liabilities to related parties of P3,150,000 as of those dates (see Note 12).

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

As of December 31, 2017, the Company has unquoted equity securities invested in local private companies with carrying amount of P31,268,750, which were classified under AFS Financial Assets and Other Assets and were carried at cost as the Company was unable to reliably determine their fair value by reference to comparable instrument or by using any valuation techniques. The Company has reclassified and designated these unquoted equity securities to Financial Assets at FVOCI on January 1, 2018 upon initial adoption of PFRS 9, hence, required to be measured at fair value on a recurring basis.

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, 2018.

The fair value of the investment in MEC was determined using the dividend discount model. The approach is based on valuation technique for unquoted equity instruments, which maximizes the use of relevant observable inputs (i.e., Bloomberg Valuation reference rates, Philippine Dealing & Exchange Corp. rates and Philippine Stock Exchange 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 heirarchy.

The Company has no financial liabilities measured at fair value as of December 31, 2018 and 2017.

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

The table below shows the fair value hierarchy of the Company's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2018 and 2017.

	Level 1	Level 2	Level 3	Total
December 31, 2018				
Financial assets:				
Cash and cash equivalents	P 15,402,926	P -	P -	P 15,402,926
Receivables - net	-	-	648,508	648,508
Due from related parties	-	-	2,000	2,000
	P 15,402,926	**P -**	**P 650,508**	**P 16,053,434**

	Level 1	Level 2	Level 3	Total
December 31, 2018				
Financial liabilities:				
Accrued expenses and other liabilities	P -	P -	P 144,200	P 144,200
Due to related parties	-	-	3,150,000	3,150,000
	P -	**P -**	**P 3,294,200**	**P 3,294,200**
December 31, 2017				
Financial assets:				
Cash and cash equivalents	P 11,266,113	P -	P -	P 11,266,113
Receivables - net	-	-	637,844	637,844
Due from related parties	-	-	1,352,000	1,352,000
	P 11,266,113	P -	P 1,989,844	P 13,255,957
Financial liabilities:				
Accrued expenses and other liabilities	P -	P -	P 123,065,622	P 123,065,622
Due to related parties	-	-	3,150,000	3,150,000
	P -	P -	P 126,215,622	P 126,215,622

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

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

19. EVENTS AFTER THE END OF THE REPORTING PERIOD

On February 20, 2019, Republic Act (R.A.) 11232, *An Act Providing for the Revised Corporation Code of the Philippines*, was enacted and signed into law. The R.A. amended certain provisions of the Corporation Code of the Philippines effective February 23, 2019. Among the provisions of the Revised Corporation Code, the following would impact the Company's financial statements:

- The Revised Corporation Code removed the 50-year maximum corporate term. Hence, stock corporation may have unlimited life unless otherwise provided in the articles of incorporation; and,

- The Revised Corporation Code removed the subscription requirement of 25% of authorized capital stock and paid-up capital requirement of 25% of subscribed capital stock.

20. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding page is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under Revenue Regulation (RR) No. 15-2010 to disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

The information on taxes, duties and license fees paid or accrued by the Company during the taxable year required under RR No. 15-2010 are as presented below and in the succeeding page.

(a) Output VAT

The Company did not declare output VAT for the year ended December 31, 2018 as it did not have any transactions in 2018 which are subject to output VAT.

(b) Input VAT

The movements of input VAT in 2018 are summarized below.

Balance at beginning of year	P	1,620,532
Current year's domestic purchases of services lodged under administrative expenses		137,177
Balance at end of year	P	1,757,709

The balance of input VAT is presented under the Other Assets account in the 2018 statement of financial position (see Note 9).

(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

During 2018, the Company paid documentary stamp tax amounting to P1,229,648 in relation to the issuance of shares of stocks during the year.

(f) Taxes and Licenses

Details taxes and licenses of the Company in 2018 are shown below.

Documentary stamp tax	P	1,229,648
Licenses and permit fees		31,069
Barangay clearance		2,570
Community tax		4,102
Registration		500
	P	1,267,889

(g) Withholding Taxes

The total withholding taxes of the Company for the year ended December 31, 2018 are shown below.

Compensation and benefits	P	579,672
Expanded		71,467
Final		11,250
	P	662,389

(h) Deficiency Tax Assessments and Tax Cases

As at December 31, 2018, 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.

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

The Board of Directors
Medco Holdings, Inc.
(A Subsidiary of Bonham Strand Investments Ltd.)
31st 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, 2018, on which we have rendered our report dated April 10, 2019. 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 Securities Regulation Code 68, as amended. 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. 7333691, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-2 (until Mar. 15, 2020)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-32-2016 (Oct. 4, 2016 until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 10, 2019

MEDCO HOLDINGS, INC.
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DECEMBER 31, 2018

Financial Statements

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SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2018
(Amounts in Philippine Pesos)

Name of issuing entity and association of each issue (i)	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Valued based on the fair value at end of reporting period*	*Dividend received and accrued*
Manila Exposition Complex, Inc.	300,000	P 43,457,288	P 43,457,288	P 9,000,000
I-Mart Corporation	100,000	-	-	-
Export and Industry Bank, Inc.	463,292,500	-	-	-
Total Financial Asset at Fair Value Through Other Comprehensive Income		**P 43,457,288**	**P 43,457,288**	**P 9,000,000**

MEDCO HOLDINGS, INC.
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2018
(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:	P 1,352,000	-	P 1,350,000	P -	P 2,000	P -	P 2,000
Capital Place International Ltd.	1,350,000	-	1,350,000	-	-	-	-
CTC Entrepreneurs Corp.	1,000	-	-	-	1,000	-	1,000
Keytrend Technologies Phils.	1,000	-	-	-	1,000	-	1,000
Advances to Officers and Employees:							
(recorded under the Receivables account)	39,517	12,000	(48,899)	-	2,618	-	2,618
Grand Total	**P 1,391,517**	**P 12,000**	**P 1,301,101**	**P -**	**P 4,618**	**P -**	**P 4,618**

MEDCO HOLDINGS, INC.
SCHEDULE C - INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2018
(Amounts in Philippine Pesos)

Description	*Beginning balance*	*Additions at cost*	*Charged to cost and expenses*	*Charged to other accounts*	*Other changes additions (deductions)*	*Ending balance*

- nothing to report -

Note: The ompany has no intangible assets as of December 31, 2018.

MEDCO HOLDINGS, INC.
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2018
(Amounts in Philippine Pesos)

Title of issue and type of obligation	*Amount authorized by indenture*	*Amount shown under caption "Current portion of long-term debt" in related balance sheet*	*Amount shown under caption "Long-Term Debt" in related balance sheet*

- nothing to report -

MEDCO HOLDINGS, INC.
SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2018
(Amounts in Philippine Pesos)

Name of related party	*Balance at beginning of period*	*Balance at end of period*

- nothing to report -

MEDCO HOLDINGS, INC.
SCHEDULE F - GUARANTEE OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2018
(Amounts in Philippine Pesos)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	*Title of issue of each class of securities guaranteed*	*Total amount of guaranteed and outstanding*	*Amount owned by person for which statement is filed*	*Nature of guarantee*

- nothing to report -

MEDCO HOLDINGS, INC.
SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2018

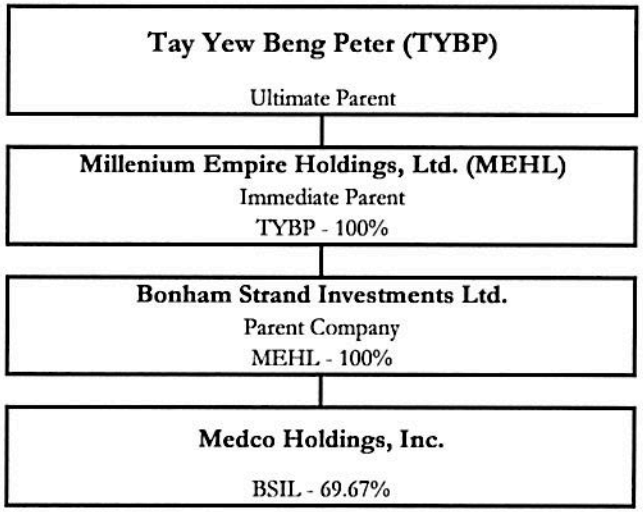
Title of Issue	*Number of Shares Authorized*	*Number of Shares Issued and Outstanding under Related Balance Sheet Caption*	*Number of Shares. Reserved for Options, Warrants, Conversions and Other Rights*	*Number or Shares Held By*		
				Related Parties (Parent, Affiliates)	*Directors, Officers and Employees*	*Others*
Common Shares	9,400,000,000	3,159,292,441	Not Applicable	2,523,494,115	51,023	635,747,303

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, 2018

Deficit at Beginning of Year		(P 807,746,058)
Transactions During the Year		
Effect of adoption of PFRS 9, Financial Instruments	P 523,380,834	
Equity restructuring	665,000,000	1,188,380,834
Net Profit Realized during the Year		
Net profit per audited financial statements	2,738,406	
Unrealized foreign currency exchange gains	(3,313)	2,735,093
Retained Earnings at End of Year		383,369,869
Non-declarable Portion from Equity Restructuring		(665,000,000)
Deficit at End of Year		**(P 281,630,131)**

MEDCO HOLDINGS, INC.
Map Showing the Relationship Between and Among Related Entities
December 31, 2018



MEDCO HOLDINGS, INC.
(A Subsidiary of Bonham Strand Investments Ltd.)
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendments to PFRS 1: Government Loans	✓		
	Amendments to PFRS 1: Deletion of Short-term Exemptions	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation *(effective January 1, 2019)*			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments*, with PFRS 4, *Insurance Contracts*			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments (2014)	✓		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation* *(effective January 1, 2019)*			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(effective date deferred indefinitely)*			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation *(effective January 1, 2019)*			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases* *(effective January 1, 2019)*			✓
PFRS 17	Insurance Contracts* *(effective January 1, 2021)*			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendment to PAS 12 - Tax Consequences of Dividends* *(effective January 1, 2019)*			✓
PAS 16	Property, Plant and Equipment			✓
	Amendments to PAS 16: Bearer Plants			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs			✓
	Amendment to PAS 23: Eligibility for Capitalization			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans**	✓		
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(effective date deferred indefinitely)*			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception			✓
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss			✓
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture *(effective January 1, 2019)*			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Reclassification to and from Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies**	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration	✓		
IFRIC 23	Uncertainty Over Income Tax Treatments (*effective January 1, 2019*)			✓
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-32	Intangible Assets - Web Site Costs			✓

* These standards will be effective for periods subsequent to 2018 and are not early adopted by the Company.

** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered.