



**SECURITIES AND EXCHANGE COMMISSION  
Metro Manila, Philippines**

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

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1. For the year ended **31 December 2009**
2. SEC Identification Number **39652**
3. BIR Tax Identification No. **004-844-938**
4. **Medco Holdings, Inc. ("Medco")  
(formerly Mindanao Exploration and Development Corp.)**  
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**  
Postal Code  
Address of principal office
8. Registrant's telephone number, including area code: **(632) 811-0465 to 67**
9. Former name, former address, and former fiscal year, if changed since last report. **Not applicable.**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec 4 and 8 of the RSA

<u>Title of each class</u>	<u>Number of shares of common stock outstanding and amount of debt outstanding</u>
<b>Common</b>	<b>700,000,000 shares (P1.00 par value per share)</b>

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

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

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports). Yes [ / ] No [ ]

(b) has been subject to such filing requirements for the past 90 days. Yes [ / ] No [ ]

13. As at 15 April 2010, the aggregate market value of the voting stock held by non-affiliates of the registrant was ₱ 131,131,977 (based on the closing price of ₱0.41 per share on April 15, 2010 which was the last recorded transaction for said shares on the Philippine Stock Exchange prior to the filing hereof).

## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1. Business

#### (2). Business of Issuer

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

In May 1995, the Lippo Group through Citivest Asia Limited (“Citivest”) acquired approximately 67% of the outstanding capital stock of Medco. In 1997, Citivest purchased additional Medco shares which increased its equity stake to 70.67%. The Lippo Group is a major Asia Pacific business conglomerate principally involved in financial services and investment activities such as commercial banking, securities and futures broking, merchant and investment banking, food operation, and property investment and development. It has operating units and representative offices in major Asian countries and in the United States of America. Citivest is a corporation organized under the laws of the British Virgin Islands and is a wholly-owned subsidiary of Lippo China Resources Limited (formerly Hongkong China Limited) (“LCR”), an investment holding company listed on The Stock Exchange of Hong Kong Limited and an integral corporate investment vehicle of the Lippo Group. LCR’s subsidiaries are engaged in investment holding, property investment and development, estate management, food operation and department store business.

Prior to the Lippo Group’s acquisition of a majority interest in the Company, Medco was engaged in mineral exploration and development. With the entry of the Lippo Group in mid-1995, the Company 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 Company 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 Company 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 composed of holdings in companies involved in financial services (commercial and investment banking) and trade development (operation of exhibition halls and conference facilities).

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

Details of the principal subsidiary and affiliated companies and their activities as at 31 December 2008 are as follows:

<u>Name</u>	<u>Place of incorporation</u>	<u>Fully paid-up common share capital</u>	<u>Percentage of direct equity ownership of Medco</u>	<u>Principal Activities</u>
Medco Asia Investment Corp. ( Formerly Lippo Asia Investment Corp.)	Philippines	₱269,250,000	64.54%	Investment banking

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

In 2009, ninety percent (90%) of the Company's revenues were contributed mainly by its principal subsidiary, MAIC, and comprised of commissions and fees (38%), interest income from placements and deposits (20%), and other income (31%). The rest came from dividend income from Manila Exposition Complex, Inc. (11%).

***Medco Asia Investment Corp. ("MAIC")- Formerly Lippo Asia Investment Corp.***

In June 1996, Medco acquired an equity interest in MAIC (then named Lippo Asia Investment Corp.) a Philippine investment house. At present, MAIC has an authorized capital stock of P400 million and a paid-up capital of P269.25 million. Since its inception, MAIC has been duly licensed by the Securities and Exchange Commission (SEC) to engage in investment banking activities such as securities trading, debt and equity underwriting, private placements, structured finance and corporate financial advisory services.

On August 27, 1999, MAIC's board of directors and stockholders approved the change in the company's name from Lippo Asia Investment Corp. to Medco Asia Investment Corp. The change in corporate name was approved by the Securities and Exchange Commission on November 18, 1999.

On November 12, 1999, Medco remitted P 50.5 million to MAIC representing its deposit for an additional subscription of common shares of the company. This additional investment was made to enable the company to comply with the capital build-up program for investment houses. The approval of the SEC for the infusion of additional capital was granted on March 29, 2000, thereby raising Medco's equity stake in MAIC to 64.54%

In view of the still weak capital markets in 2009, MAIC continued to generate income mainly from its fixed income investments, while offering corporate finance and fee-based services to prospective clients involving loan arrangement, financial advisory and merger and acquisition work. MAIC will remain focused on these activities and has no plans of offering or rendering any new services aside from its regular investment banking services.

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

Exportbank is engaged in the business of commercial banking and of trust and funds management, and exercises 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.

In May 2001, Exportbank signed an agreement with the major stockholders of Urban Bank, Inc. (UBI) and Urbancorp Investments, Inc. (UII) for the rehabilitation of UBI and UII through a merger with Exportbank. UBI, a commercial bank, was reopened as a result of the said merger with

Exportbank. The merger of Exportbank, UBI and UII, with UBI as the surviving entity, took effect on February 1, 2002, whereupon the name of UBI was immediately changed to Export and Industry Bank, Inc.. Thereafter, the Company's interest in Exportbank decreased from 29.83% to 17.49%.

In October 1, 2003, the Corporation listed 2.73 Billion common shares with a par value of PHP 1.00 in the Philippine Stock Exchange (PSE). This was done simultaneously with the lifting of the suspension of trading of Urban Bank shares as approved by the PSE. Shares formerly traded with stock symbol URB were since then traded under the new stock symbol EIB.

On May 25, 2005, pursuant to Section 17 (c) of Republic Act (RA) No. 3591, as amended, PDIC approved the grant of further assistance to Exportbank under the Memorandum of Agreement dated December 29, 2005 (the "Agreement"), anchored on the requirements of a new capital infusion in Exportbank of at least Php3.0 billion from major stockholders and the sale of a pool of assets consisting of UBI and UII non-performing assets (NPAs) with a gross book value of Php10.0 Billion. These NPAs were to be sold for a total consideration of Php3.0 Billion, together with the provision for other financial assistance in the form of (a) ten-year income support mechanism pegged to a principal amount of Php7.0 Billion or 70% of the balance of the Php10.0 Billion gross book value of the asset pool, under which the liability to the PDIC will be charged an interest rate of 1% and the government securities in which the proceeds of such liability will be invested in and which will be pledged with the PDIC to secure the liability will earn market rates of interest for the bank, and (b) a ten-year subordinated debt amounting to Php2.0 Billion qualified as tier 2 capital at an interest of 1% for the first five years and 5% for the last five years, subject to a provision that would require the bank to pay more interest in the event that the cumulative income for the ten years that the debt is outstanding exceed the agreed amount that was projected for that period. On May 26, 2005, the BSP likewise approved the grant of said rehabilitation assistance and certain regulatory relief, such as, among others, (1) the staggered booking of the write off of deferred income tax and goodwill accounts totaling Php1.8 Billion over 10 years; (2) the staggered booking over 15 years of the write-off of taxes and other related expenses in connection with the sale of said NPAs, under a programmed amortization with provision for acceleration; (3) the staggered booking of losses on sale of the said NPAs over 15 years, likewise under a programmed amortization with provision for acceleration.

Pursuant to the foregoing Agreement with PDIC, the major shareholders infused additional equity in two tranches: first in the last semester of 2005 and then in 2006, that brought the cumulative new capital infusion to Php3.0 Billion, which was primarily aimed at strengthening the bank's capital base to meet the new requirements of the PAS 39 and other international accounting standards that were being implemented by the BSP. Likewise in 2006, all of the bank's then-outstanding preferred shares were converted into common shares. Furthermore, the sale of the UBI/UII NPAs was effected in 2006 and this enabled Exportbank to significantly reduce its NPA ratio and improve its profitability. With the completion of the above transactions, including the new capital infusion, Exportbank achieved a stronger statement of condition and a risk-based adequacy ratio that was well within the BSP prescribed ratio for commercial banks.

As result of the forecoing new capital infusion in Exportbank and the concurrent conversion of its outstanding preferred shares into common shares, the Company's direct equity interest in the bank decreased further from 17.49% to 2.45%.

## **Other Subsidiary**

Manila Exposition Complex, Inc. is not a significant subsidiary of the Company.

## ***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 sales since the time deposit placements in Hong Kong were terminated in January 2009. Around 2.2% and 5.30% of the Company's consolidated income in 2008 and 2007, respectively, came from interest income from such foreign time deposit placements..

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

The Company, does not produce or sell any product, or offer any service. On the other hand, its significant subsidiaries do not employ any third party distributors or agents to distribute their products and services.

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

None

## ***Competition***

The local business climate and stock market sentiment became more pessimistic as the global financial crisis that started in September 2008 and which was caused by the collapse of the U.S. sub-prime mortgage market became entrenched and steadily turned worse, spreading quickly across Europe and Asia. As a result, the supply of bank credit became scarce and the critical worldwide liquidity situation caused serious solvency problems even among the biggest financial institutions and car manufacturers in the U.S. and Europe.

The aforementioned unfavorable capital market environment further aggravated the business prospects for the local investment banking industry where the Company's principal subsidiary, MAIC, belongs. Thus, the industry which was comprised of around forty investment houses of varying sizes and specializations again found itself operating under difficult business conditions.

In the commercial banking sector, Exportbank was not spared from the adverse effects of such negative developments on the loans market. Nonetheless, having transformed itself into a medium –sized bank after its recapitalization in 2006, Exportbank had gained more financial muscle and was now better situated to compete more effectively with its peer banks in soliciting deposits and fund placements and in generating loans.

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

The Company as well as its significant subsidiaries are not into manufacturing and have no need of raw materials for its businesses.

## ***Dependence on Single Customer***

The Company's significant subsidiaries have a widely dispersed customer base and are not dependent on any single customer or just a few customers.

## ***Transactions with Related Parties***

MAIC regularly places funds in Exportbank in the form of deposits or placements in its treasury or trust instruments. Apart from these, there are no other transactions with related parties.

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

The Company as well as its significant subsidiaries have not entered into agreements related to patents, trademarks, copyrights, licenses, franchise, concessions and royalty.

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

MAIC is licensed by the SEC as an Investment House. Exportbank is licensed by the BSP as a commercial bank.

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

The Company is subject to the rules and regulations of the SEC and the PSE. Exportbank is regulated by the BSP, PDIC and the SEC, while MAIC is regulated by the SEC. The Company and its significant subsidiaries are complying with existing government regulations which have been beneficial to their businesses. The Company is not aware of any probable government regulation that could have any adverse effect on its business or those of its subsidiaries.

***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 31 December, 2009, there were three (3) employees of the Parent Company. One was clerical employee and two were administrative. The Company does not anticipate any increase in 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 Company's employees are not on strike and have not gone on strike in the past three (3) years.

**Item 2. Properties**

As at the end of 2009, Medco did not own any real property. It has been sharing office space at the 31st Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City 1229, Metro Manila (the "Floor") with three other members of the Lippo Group of Companies in the Philippines, namely, MAIC, Lippo Securities, Inc. ("LSI"), and Capital Place International Limited ("CPIL"). The Floor has 4 condominium units, one of which is occupied by the Lippo Group. The Floor is owned by CPIL which is a wholly-owned subsidiary of LSI.

The following table identifies the significant properties presently owned and leased by the companies in which Medco has equity investments:

**Export and Industry Bank, Inc.**

The Bank's properties consist of the following:

**Exportbank Plaza** is a 37-storey premium and one (1) basement level premium grade building, standing on a 3,698 m<sup>2</sup> prime lot bounded on three sides by Sen. Gil Puyat, Chino Roces Avenue and ExportBank Drive. It has an average gross area of 1,354 square meters and an average net usable area of 1,160 square meters per office floor. Five floors, namely 12<sup>th</sup>, 20<sup>th</sup>, 23<sup>rd</sup>, 36<sup>th</sup> and the 37<sup>th</sup> serve as the Corporation's Head Office. Aside from a branch of the bank, the ground floor houses several retail spaces leased to various establishments. Other floors are mostly office spaces leased by other



companies, and three floors that have been sold as office space to various companies or parties. The building has been a Philippine Economic Zone Authority (PEZA) accredited "IT Zone" in November 3, 2003.

**ExportBank Alabang**, located at the Mapfre Asian Corporate Center Madrigal Business Park, Acacia Avenue, Ayala Alabang, Muntinlupa is a two-storey property of the Corporation. The ground floor measures 486.52 square meters and the second floor measures 150.68 square meters. The units B and C of the 2<sup>nd</sup> floor are for lease.

**ExportBank Greenhills**, located at the Victoria Condominium, 41 Annapolis St., San Juan City, has a floor area of approximately 273.81 square meters. It is maintained by the Corporation for its branch operations in that area.

**ExportBank Cebu Business Park** is located at the Ayala Life-FGU Center Cebu Business Park, Mindanao Avenue corner Biliran Road, Cebu City. The Corporation owns the ground floor with an area of 157.3 square meters where it maintains a branch, and the fourteenth floor with an area of 585.27 square meters where it maintains a regional office.

**Export and Industry Bank Building** is located at Quezon corner Delgado Streets, Iloilo City. It is a 3-storey edifice, the total floor area of which is approximately 1,280 square meters, including the mezzanine and the garage. The ground floor is utilized for the Bank's branch operations while the 2<sup>nd</sup> and 3<sup>rd</sup> floors are for lease.

#### Properties Leased by the Bank –

The Bank is leasing the following properties for its branch operations:

Branch	Area (m <sup>2</sup> )	Lease Amount (₱/month)	Expiry Date
<b>Banawe</b> ACE Tower 1 Bldg. #211, Banawe Street, Quezon City	135	123,641.07	April 14, 2012
<b>Caloocan</b> Augusto Building, 478 Rizal Avenue Extension Grace Park, Caloocan City	191.75	213,540.47	June 28, 2014
<b>Juan Luna</b> 694-696 Juan Luna and Sta. Elena Streets, Binondo, Manila	138.38	172,975.00	August 31, 2014
<b>Las Pinas</b> 267 Alabang-Zapote Road, Pamplona, Las Pinas City	240	106,722.00	September 30, 2012
<b>LRT Monumento</b> Level 2, Ever Gotesco Grand Central, Rizal Avenue, Caloocan City	38.26	57,390.00	Month-to-month
<b>Malabon</b> 14 Gov. Pascual Avenue, Concepcion, Malabon	210	194,911.06	February 15, 2012
<b>BF Homes</b> G/F Aurora IV Bldg., BF Homes, Phase 2	200	110,000.00	June 15, 2013
<b>San Pedro</b> MMG Bldg. National Hi-way, San Antonio, San Pedro, Laguna	200	56,000.00	October 10, 2013
<b>Ortigas</b>			

G/F Pacific Center Building, San Miguel Avenue, Ortigas Center, Pasig City	256.30	180,254.06	November 30, 2012
<b>Binan- Carmona</b> Greatwall Aluminum Bldg, Carmona Cavite	245	67,528.12	March 2, 2013
<b>Rufino Pacific</b> G/F Rufino Pacific Tower Building, Ayala Avenue, corner Rufino Street, Makati City	150	135,000.00	February 28, 2014
<b>Salcedo</b> G/F Salcedo Towers, 169 H.V. Dela Costa Street, Salcedo Village, Makati City	166	144,122.86	March 31, 2011
<b>Chino Roces</b> Exportbank Plaza, Exportbank drive corner Chino Roces, Makati City	296.33	268,919.48	December 31, 2012
<b>Angeles</b> 343 Sto. Rosario Street, Angeles City, Pampanga	100	81,466.71	August 14, 2010
<b>Bacolod</b> MFC Building, Lacson corner Henares Streets, Bacolod City	304	117,305.44	Month-to-Month
<b>Baguio Branch</b> G/F, La Azotea Building, 108 Session Road, Baguio City	51.45	45,300.96	December 31, 2010
<b>Binondo Branch</b> G/F Level Downtown Center Building, 520 Quintin Paredes Street, Binondo, Manila	300	241,077.38	July 31, 2013
<b>Cabanatuan</b> G/F Unit B Gonzales Building, 377 Diversion Road, Maharlika Hi-way, Cabanatuan City	110	35,000.00	March 31, 2014
<b>Cagayan de Oro</b> Jofelmor Building, Mortola corner J.R. Borja Streets Cagayan de Oro City	162	84,680.26	Month-to-Month
<b>Calamba Branch</b> Main Alley 1, Pamilihan sa Parian Commercial Complex, South National Highway, Barangay Parian, Calamba City	120	48,000.00	September 15, 2014
<b>Cebu</b> Ground Floor TGU Tower, Asiatown, Cebu City	227	147,550.00	March 31, 2014
<b>Cebu -Plaridel</b> GF Gay Sen Bldg, 137 Plaridel St. Cebu City	200	120,000.00	March 31, 2013
<b>Dagupan</b> Abarabar Building, Perez Boulevard, Dagupan City	200	70,193.00	April 30, 2014
<b>Davao</b> Aldevinco Commercial Building, #4 C.M. Recto Street, Davao City	198	73,205.00	Month-to-month
<b>Davao -Jacinto</b> GF CVA Bldg, C. M Recto cor Jacinto Sts, Davao City	177.78	90,300.00	November 30, 2017
<b>Del Monte Branch</b> 497 Del Monte Avenue, Brgy. San Francisco del Monte, Quezon City	238.55	152,527.00	April 15, 2013
<b>Greenhills Ortigas Branch</b>			

Ground Floor I-Bank Bldg. Ortigas Avenue near corner Wilson St. San Juan	247	171,788.50	December 15, 2012
<b>Imus</b> 155 Nueno Avenue, Barangay Poblacion 4, Imus, Cavite	120	44,961.50	October 15, 2010
<b>Jupiter Branch</b> No. 40 Jupiter St. Bel Air, Makati City	177	97,571.25	February 28, 2013
<b>Mabalacat Branch</b> Mabalacat Public Market, McArthur Highway, Mabalacat, Pampanga	130	26,620.00	Month-to-month
<b>Masangkay Branch</b> 955 Masangkay St. Binondo Manila	185.32	80,000.00	April 15, 2013
<b>Navotas Branch</b> 514 North Bay Boulevard corner Lacson Street, Navotas, Metro Manila	233	60,000.00	May 15, 2014
<b>New Libis Branch</b> 80 E. Rodriguez Jr. Avenue Libis, Quezon City	255	126,511.88	December 15, 2012
<b>Roosevelt Branch</b> Ground Floor 205 corner Roosevelt Ave. and Osmena St. San Francisco Del Monte	250	57,425.00	December 15, 2012
<b>Sto. Cristo Branch</b> Ground Floor Kim Siu Ching Foundation Bldg. 471-483 Sto. Cristo St. cor. Jaboneros St. Binondo Manila	188.88	72,947.70	December 15, 2012
<b>Timog Branch</b> Timog Commercial Complex Timog Avenue corner Panay Avenue Quezon City	172.61	93,000.00	May 01, 2012
<b>Tutuban Branch</b> Primblook Building Tutuban Center Claro M. Recto, Manila	131.35	70,000.00	August 22, 2014
<b>Emerald</b> Unit 101B G/F, the Orient Square, Ortigas Center, Pasig City	185.80	120,770.00	November 19, 2013
<b>NAIA Sucat</b> 707-3 Columbia complex Bldg, Ninoy Aquino Ave., Parangue city	269.22	100,000	June 15, 2013
<b>UN Avenue</b> G/F Vistoria Bldg, 429 UN Avenue cor LM Guerrero St., Ermita Manila	325	110,200.00	June 14, 2018
<b>Valenzuela Branch</b> 95 McArthur Highway Marulas, Valenzuela City	250 250	56,000.00 58,800.00	March 17, 2018 March 17, 2018

<b>Boni</b> G/F Lourdes Bldg., 667 Boni Ave., Mandaluyong	183.10	84,463.90	June 30, 2013
<b>E. Rodriguez</b> 970 E. Rodriguez Ave., New Manila	120.00	95,000.00	December 31, 2014
<b>Fort Bonifacio</b> G/F The Luxe Residence	148.20	148,200.00	September 14, 2014
<b>P. Tuazon</b> G/F Pacific Center Bldg., San Miguel Ave., Ortigas Center	203.68	193,496.00	July 31, 2014

The above properties leased by the Bank are renewable upon mutual agreement of the parties.

#### **Medco Asia Investment Corporation**

MAIC is renting 211.82 sq. meters of Unit C of the 31F of Rufino Pacific Tower, Ayala Avenue, Makati City, with annual rent payment of P766,270.

#### Item 3. Legal Proceedings

As at 31 December 2009 and as far as the management of the Company is aware, there are no pending material legal proceedings to which the Company or of its subsidiary, MAIC, 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.

### **PART II - OPERATIONAL AND FINANCIAL INFORMATION**

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

##### Market Information

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

The high and low price for the first quarter of 2010 were as follows:

##### 1st Quarter

High   Low  
P 0.59   P0.36

The high and low prices for each quarter of 2009 were as follows:

<u>1st Quarter</u>		<u>2<sup>nd</sup> Quarter</u>		<u>3rd Quarter</u>		<u>4<sup>th</sup> Quarter</u>	
<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
P0.28	P0.14	P 0.23	P0.12	P0.23	P0.15	P0.90	P0.22

The high and low prices for each quarter of 2008 were as follows:

<u>1st Quarter</u>		<u>2<sup>nd</sup> Quarter</u>		<u>3rd Quarter</u>		<u>4<sup>th</sup> Quarter</u>	
<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
P0.58	P0.33	P 0.41	P0.33	P0.49	P0.30	P0.32	P0.115

The high and low prices for each quarter of 2007 were as follows:

<u>1st Quarter</u>		<u>2<sup>nd</sup> Quarter</u>		<u>3rd Quarter</u>		<u>4<sup>th</sup> Quarter</u>	
<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
P0.80	P0.245	P 0.80	P0.33	P0.68	P0.32	P0.60	P0.37

As at 15 April 2010, the closing price of ₱0.41 per share on April 15, 2009 was the last recorded transaction for said shares on the PSE prior to the filing hereof.

*Recent Sales of Unregistered Securities. -- NONE*

*Holder, Dividends and Sale of Unregistered Securities*

Based on the records of the Company's stock transfer office, Philippine Stock Transfer, Inc., as at 15 April 2010, there were 686 holders of the common stock of the Company. The names of the top 20 shareholders and the number of shares and the percentage of total shares outstanding held by each stockholder are set forth on page 22 of this report.

No cash dividends have been declared by the Company 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 factors such as Company cash flow, future expansion plans and prevailing bank interest rates.

There were no sales of any unregistered securities of the Company 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 and the consolidated Financial Statements and related Notes to Financial Statements in Exhibit A of this Report.

#### **Results of Operations**

##### **2009**

Consolidated revenues for the year ended December 31, 2009 decreased by 16% relative to the prior year's figures. During the year under review, the revenue account consisted of fees and other commissions (38%), interest income from short-term placements (20%), dividend income (11%), and other income (31%).

The decline in the consolidated revenue was mainly due to the 35% decrease in interest income from short-term placements and the 17% reduction in the other income account.

Interest income contracted because of the substantial reduction in the deposit placements of the Company's subsidiary due to the payment of advances to its affiliate and withdrawals for its working capital requirement. Furthermore, interest rates for short-term placements also decreased from an average rate of 2.70% to 2.80% during 2008 to an average rate of only 2.07% to 2.11% in 2009.

On the other hand, the decline in the other income account during the year under review was due to the unrealized foreign exchange loss incurred by the Company amounting to P0.383 million. The foreign exchange rate at the end of 2009 went down to P46.356 to a US Dollar compared to the P47.485 rate as of December 31, 2008. In contrast, an unrealized foreign exchange gain of P2.6 million was recorded in this account in 2008.

On the expense side, consolidated expenses declined by 25% compared to the previous year's figure. During the year under the review, expenses were mainly comprised of salaries and wages (42%), representation (18%), professional and management fees (14%), taxes and occupancy (13%) and other expenses (13%).

The decrease in consolidated expenses was mainly due to the non-incurrence of interest expense during the year as the Company's loans from a local bank were already fully paid as of December 31, 2008. Last year's interest expense accounted for 19% of the total expenses incurred in 2008.

The other components of expenses such as salaries & wages, entertainment, taxes & fees as well other expenses also posted a decrease in the year under review. Salaries & wages decreased by 3%, entertainment expense declined by 3%, taxes and licenses by 33% and other expenses by 36%. This was the result of the Company's continuing cost-cutting measures.

## **2008**

Consolidated revenues for the year 2008 declined by 22% compared to previous year's figure. During the year under review, revenues consisted of fees and other commissions (34%), interest income from short-term placements (26%), unrealized foreign exchange gain (25%), dividend income (9%), and other income (6%).

The unrealized foreign exchange gain amounting to P2.6 million this year resulted mainly from the revaluation of Hong Kong dollar placements of the Company's subsidiary. The exchange rate at the end of 2008 went up to P6.1273 to a Hong Kong dollar compared to the P5.3078 exchange rate as of December 31, 2007. In contrast, an unrealized foreign exchange loss of P3.4 million was booked in 2007.

In spite of the gain from the foreign exchange transactions, there was a decline in the consolidated revenues. The decrease was mainly due to the significant reduction of approximately 84% in the dividend income received from Manila Exposition Complex, Inc. relative to the prior year, when dividend income accounted for 44% of the total consolidated revenues. Furthermore, there was a 23% decline in interest income which resulted from the reduction in the deposit placements of the Company's subsidiary due to withdrawals for its working capital requirement and the reduction in the interest rate earned from its dollar-denominated deposits.

Consolidated expenses, on the other hand, decreased by approximately 21% from to the previous year's figure. The expenses for this year comprised mainly of salaries and wages (33%), interest expense (19%), representation & entertainment (14%), professional fees (10%), taxes and occupancy (11%) and other expenses (23%).

The major components of expenses decreased substantially in the year under review compared to the prior year's comparative period. Salaries & wages decreased by 16%, interest and bank charges went down by 11%, and entertainment expense declined by 3%. This was the result of the Company's continuing cost-cutting measures.

## **2007**

Consolidated revenues for the year ended December 31, 2007 decreased by 21% relative to the prior year's figures. During the year under review, the revenue account consisted of dividend income (44%), commission and fees (26%), interest income (26%), and other revenues (4%). On the other hand, last year's revenue account was composed of interest income (52%), fees and other commissions (24%), dividend income (17%), and other revenues (7%).

The decrease in the consolidated revenues was mainly due to the 60% decline in the interest income account. The decline in interest income resulted in turn from the reduction in bank deposit placements of the Company's subsidiary to fund its acquisition of equity shares in Exportbank. In May 2006, the subsidiary purchased an additional 1,464,285,600 Exportbank common shares which increased its ownership interest in the said investee bank from 0.92% to 7.84%. Aside from the said reduction in bank placements, there was also a downward trend in the interest yield from peso bank placements and foreign currency bank deposits as the prevailing interest rates moved downwards in tandem with the declining U.S federal funds rate.

There was also a 56% decrease in the other revenues account as compared to the previous year. In 2006, MAIC realized a gain on its investment in a newly-listed stock, the initial public offering of which it helped to underwrite. There were however no such opportunities for investment gains in 2007. This was because when information about the magnitude of the losses incurred by some U.S. financial institutions from subprime mortgage loan defaults came out in the third quarter of 2007, the U.S. stock market and inevitably other stock markets, including our own, reacted negatively and turned bearish. Then, market sentiment was dampened further by subsequent indications that the U.S. economy was going into a recession.

In contrast to the aforementioned unfavorable trends, we note that dividend income received from Manila Exposition Complex, Inc. doubled in 2007.

On the expense side, consolidated expenses also decreased by approximately 21% versus the previous year's figures. During the year under the review, expenses were mainly comprised of employee benefits (31%), interest and bank charges (17%), foreign exchange losses (13%), entertainment, amusement and recreation expenses (11%), and other expenses (28%).

Due mainly to the cost cutting measures implemented by the Company, the major expense accounts decreased during the year under review as compared to 2006. Taxes & licenses were significantly lower by 74%, entertainment expenses were reduced by 40%, employee benefits decreased by 20% and interest expenses declined by 16%.

The unrealized foreign exchange loss booked by the Company's major subsidiary increased by 21% from an amount of P2.8 million in 2006 to P3.4 million in 2007. At the end of 2007, the peso exchange rate stood at P41.401 vis-à-vis the US dollar, appreciating by P7.731 or approximately 16% from the December 31, 2006 exchange rate of P49.132.

Apart from the accounts mentioned above, there was no significant movement in the other expense components.

## ***Financial Position***

### **2009**

There was no significant change with respect to total assets as compared to the prior year. Like in the previous year, total assets were composed mainly of investment in subsidiary and associate (80%), cash and cash equivalents (11%), available-for-sale financial assets (7%) and other assets (2%).

Although there was a collection of interest receivable from deposit placements which caused the decline in the receivable account, the proceeds from collection were not sufficient for the Company's working capital requirements. There were withdrawals of funds to make up for the deficiency in working capital which reduced the cash and cash equivalent account by 11%.

On the other hand, the other assets account increased by 10% due to the continuing accumulation of creditable withholding tax and input tax.

On the liabilities side, in the normal course of its business, the Company obtained advances from its affiliates for working capital purposes and payment of liabilities to third parties. This account increased by 1% from the previous year.

As at December 31, 2009, the total shareholders' fund of the Company amounted to ₱151 million.

### **2008**

With respect to the balance sheet as at the end of 2008, there was a 7% decrease in total assets as compared to the previous year. Total assets this year were composed mainly of investment in subsidiary and associate (79%), cash and cash equivalents (12%), and available-for-sale financial assets (7%).

The 62% reduction in the loans and receivables account resulted from the collection of a loan receivable of MAIC granted in 1996 collateralized by Exportbank class A shares. The collateral shares were foreclosed by MAIC in 2008 and applied to pay-off the loan. The foreclosure of shares increased the Company's beneficial ownership interest in the investee company from 10.29% to 10.31% on a consolidated basis.

There was also a significant decline of 72% in the other assets account which was comprised mainly of bank placements with a local bank. The said placements were preterminated in December 2008.

On the liabilities side, the accounts payable and accrued expenses account went up by 29%, mainly because of funds borrowed for the Company's working capital requirements. Furthermore, the due to related party account also increased by 31%. The additional funds borrowed from its affiliate companies were used to pay off the loans payable to a local bank amounting to P67.4 million.

As at December 31, 2008, the total shareholders' fund of the Company amounted to ₱157 million.



## **2007**

Referring to the balance sheet, there was no significant movement in the total assets amount as at the end of the year under review as compared to last year. Total assets in 2007 were composed mainly of investments in subsidiary and associate (75%), cash (12%), available-for-sale financial assets (7%) and other assets (6%).

The bulk of the consolidated cash account in 2007 was attributable to the Company's subsidiary, MAIC. The 16% decline in the cash account reflected the payments made by MAIC to defray its operating expenses in 2007.

Regarding the loans and receivables account, MAIC grants advances to an affiliate company and additional advances made in 2007 increased the said account by 22% relative to 2006. Medco, on the other hand, receives advances from its affiliate companies to finance its working capital requirements. The increase in the liabilities account, particularly the accounts payable and accrued expenses, resulted from such additional advances obtained by the Company during the year under review.

On February 15, 2006, Cardinal Bancresources, Inc. assigned to MAIC its rights over 3,999,995 shares in Safeharbor Holdings, Inc. Also on the same date, Goldwin Bancshares, Inc. assigned to MAIC its rights over 3,999,995 shares of Outperform Holdings, Inc.. MAIC recorded the acquisition at P7,999,990 and recognized a liability to Lippo China Resources Limited for the funding of these shares under the due to a related party account.

As at December 31, 2007, the total shareholders' fund of the Company amounted to P167 million

## ***Prospects for 2010***

The year 2010 is expected to be another difficult year. Nonetheless, if the conduct of the upcoming May 10 national elections will be generally perceived to be acceptable and the results thereof will be viewed as being credible, we are hopeful that the resulting improved local business climate may provide the impetus to enable the Company to move closer towards finalizing and closing an investment transaction in the near to medium term. Such an investment may be funded partly through a prospective new capital infusion possibly involving a capital increase and either a private placement or a follow-on offering of new common shares of the Company. There are a number of promising local investment prospects in the pipeline which are currently being evaluated with the assistance of the Company's principal subsidiary, MAIC. Furthermore, a favorable post-election scenario will further strengthen the local stock market and enhance the likelihood that other revenue-making business prospects may materialize from the regular investment banking activities of the said subsidiary.

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

The Company 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 Company does not also anticipate any liquidity problem within the next twelve (12) months. The Company 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 Company's internal sources of short-term and long-term liquidity are its liquid assets and those of its subsidiaries, which as at December 31, 2009 consisted of P49.8 million of cash and cash equivalents and short-term investments. Its external sources of liquidity would consist of advances from its affiliate companies and/or major shareholders.

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 Company is also not aware of any events that will cause a material change in the relationship between the costs and revenues.

Item 7. Financial Statements

The consolidated Financial Statements and related Notes to Financial Statements of Medco for the past 3 years ended 31 December 2009 appear on Exhibit A 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

Information on the directors and executive officers of Medco will be incorporated in SEC Form 17-IS or the Proxy Statement, which will be submitted on a later date prior to the annual stockholders meeting.

***Significant Employee.***

None.

***Family Relationship***

None.

***Involvement in Certain Legal Proceedings***

None

Item 10. Executive Compensation

Information on the "Compensation of Directors and Executive Officers" will be incorporated in SEC 17-IS or the Proxy Statement, which will be submitted on a later date prior to the annual stockholders meeting.

***Warrants and Options Outstanding: Repricing*** - Not Applicable

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

*Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Company's Outstanding Stock as of 15 April, 2010:*

Title of class	Name and address of record/beneficial owner	Amount and nature of record/beneficial ownership ("r" or "b")	Percent of class
Common	Citivist Asia Limited 24/F Lippo Tower, Lippo Centre, 89 Queensway Hong Kong	322,314,874 (b)	46.04%
Common	PCD Nominee Corp. Makati Stock Exchange Bldg., Ayala Avenue Makati City	197,698,156(r)	28.24%

Mr. Dionisio E. Carpio, Jr., or in his absence, Mr. Bobby Cheng Sai Chong is appointed as the representative of Citivist Asia to attend and vote at the stockholders' meeting of the Company. Messrs. Dionisio E. Carpio, Jr, and Bobby Cheng Sai Chong have no relationship with Citivist Asia Limited , except that they have been the regular appointees of Citivist Asia for purposes of attending and voting on behalf of Citivist Asia at the stockholders' meeting of the Company in accordance with its instructions.

The registered owners of more than 5% of the outstanding shares of PCD Nominee Corp. is as follows:

Title of class	Name and address of owner	Amount and nature of ownership (indicate record and/or beneficial ownership)	Percent of class
Common	EIB Securities, Inc. 11 <sup>th</sup> Flr. Export Bank Plaza, Chino Roces Ave., Makati City	59,450,512 (record owner-foreign)	8.49%

The majority of 59,450,512 shares -foreign is in turn owned by the following record and/or beneficial owners:

Title of class	Name and address of owner	Amount and nature of ownership (indicate record and/or beneficial ownership)	Percent of class
Common	Lippo Securities Limited (LSL) Hongkong	57,800,012 (record owner)	8.26%

### *Security Ownership of Management*

To the extent known to the Board of Directors, there is no security ownership of Management, other than directors' qualifying shares. The record ownership of shares of the Board of Directors is as follows:

Title of class	Name and address of record owner	Amount and nature of record ownership	Percent of class
Common	Dionisio E. Carpio, Jr. No. 40 Columbia Street Loyola Grand Villas, Quezon City	1,008	-
Common	Solomon R. B. Castro 1406 Tower 1 Ayala Triangle Makati City	11	-
Common	The 4 directors own 1 qualifying shares	4	-

All of the directors own one (1) qualifying share, except for Mr. Dionisio E. Carpio, Jr. who owns 1,008 shares in the Company, of which 1,000 shares for himself and 8 shares held by him for and on behalf of Citivest Asia Limited; Solomon R.B. Castro owns 11 shares for and on behalf of Citivest Asia Limited; and Mrs. Edna Reyes who owns 50,000 shares for herself. This information should be read in conjunction with Item 1, Description of Business on pages 3 to 5 of this Report.

Voting Trust Holders of 5% or More - None

Changes in Control - None

### Item 12. Certain Relationships and Related Transactions ( See Note 13 , pages 24-25 of the Notes to the Financial Statements )

The Company and its subsidiary, in the ordinary course of business, grant to and obtain advances from certain affiliated companies at prevailing market rates. In addition, Medco Asia Investment Corp. also leases its office space from affiliate Capital Place International Limited for a period one year with an annual rental of P766,270.

The parent-subsidary relationships of the Company are discussed in Item 1, "Description of Business" on pages 3 to 5 of this Report.

## PART IV - EXHIBITS AND SCHEDULES

### Item 13. Exhibits and Reports on SEC Form 17-A

<b>(a) Exhibits</b>	<b><u>Page/Incorporation by Reference</u></b>
(1) Financial Statements Consolidated Balance Sheets Consolidated Statements of Income Consolidated Statements of Cash Flow Notes to Financial Statements	Exhibit A of this Report
(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	1
(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