

Certification

I, Atty. Lamberto B. Mercado, Jr., Compliance Officer of Metro Alliance Holdings & Equities Corporation, with SEC registration number 296 with principal office at 35th Flr. One Corporate Center, Dona Julia Vargas, cor. Meralco Ave., Ortigas Center, Pasig City, on oath state:

- 1) That on behalf of Metro Alliance Holdings & Equities Corporation, I have caused this Preliminary Information Statement (PIS) SEC Form IS-20 to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That the company, Metro Alliance Holdings & Equities Corporation, will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hands this _____ day of SEP 23 2020, 2020.




Affiant

TIN: 136-012-428

SUBSCRIBED AND SWORN to before me this QUEZON CITY SEP 23 2020 day of _____, 2020.

NOTARY PUBLIC

Doc No. 12
Page No. 3
Book No. 50
Series of 2020


ATTY. CONCEPCION P. VILLAREÑA
Notary Public for Quezon City
Until December 31, 2021
PTR No. 9296041 - 1-2-2020/ QC
IBP No. 093586 - 10-22-2019/ QC
Roll No. 30257 - 05-09-80
MCLE VI - 0030379
Adm. Matter No. NP-001(2020-2021)
TIN No. 131-942-754

COVER SHEET

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SEC Registration No.

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(Company's Full Name)

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D	O	N	A		J	U	L	I	A		V	A	R	G	A	S		C	O	R.		M	E	R	A	L	C	O	
A	V	E.		O	R	T	I	G	A	S		C	E	N	T	E	R,		P	A	S	I	G		C	I	T	Y	

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

Atty. Nestor S. Romulo									
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Contact Person

(632) 706-7888/706-5982									
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Contact Telephone No./Fax No.

1	2
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3	1
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P	R	E	L	I	M	I	N	A	R	Y

Any day in May

Fiscal Year

FORM TYPE

Month Day

Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

794

Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

LCU

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Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

20-IS Preliminary Report: MAHEC
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NOTICE OF STOCKHOLDERS' MEETING

Please be informed that the ANNUAL MEETING OF STOCKHOLDERS shall be held on October 29, 2020, Thursday, at 2:00 p.m. In light of the COVID-19 pandemic, the meeting will be conducted virtually via secure online meeting. The Order of Business shall be:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Meeting of Stockholders held on November 7, 2019
4. Report of the President
5. Presentation and approval of the Annual Financial Statements 2019
6. Ratifications of the actions and proceedings taken by the Board of Directors and Corporate Officers since November 7, 2019
7. Election of the Members of the Board of Directors
8. Appointment of External Auditor
9. Other business
10. Adjournment

As fixed by the Board of Directors, stockholders of record date as of September 30, 2020 shall be entitled to notice of, and vote at, said stockholders' meeting and for this purpose, the Board of Directors authorized the closing of the stock and transfer book of the Corporation from October 1 to 29, 2020.

PARTICIPATION ONLY VIA REMOTE COMMUNICATION. Stockholders can only participate in the meeting by remote communication. Stockholders as of the Record Date who intend to participate or be represented in the meeting should register for the meeting by notifying the Corporation by email at metroalliance.ASM@gmail.com not later than October 16, 2020 (at 5:00pm) and shall first submit a copy of proof of identity, ownership or other certification/information for validation purposes and/or duly accomplished proxy instrument for a representative to the virtual meeting, if applicable. Stockholders as of the Record Date who are interested in casting their votes on any of the matters to be presented during the 2020 ASM must cast their votes on or before October 23, 2020 (at 5:00pm).

VOTES MAY CAST ONLY THROUGH ONLINE CASTING OF VOTES/PROXIES ON OR BEFORE October 23, 2020 (at 5:00pm). Stockholders whose shareholdings are lodged with the Philippine Central Depository are reminded to secure a certification of your shareholdings from your respective stockbrokers.

The full details of the registration and voting procedures will be available on the Company's website, www.metroalliance.com/annualstockholdersmeeting.html, on September 28, 2020. For more information regarding the Annual Stockholders' Meeting, please contact Carmelita Elegio at metroalliance.ASM@gmail.com.

WE ARE NOT SOLICITING YOUR PROXY.

Pasig City, Philippines, September 21, 2020.


Atty. Nestor S. Romulo
Corporate Secretary

35th Flr. One Corporate Center Dona Julia Vargas Avenue corner Meralco Avenue, Ortigas Center, Pasig City,
Phils. 1605; Trunkline (02) 8706-7888 * Fax No. (02) 8706-5982

PROXY

KNOW ALL MEN BY THESE PRESENTS:

The undersigned, stockholder of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.**, do hereby constitute and appoint - _____ as my attorney-in-fact and proxy, to participate and represent me at the Annual Stockholders Meeting of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.** via remote communication on **29 October 2020**, and thereat to vote upon _____ shares of stock owned by me on the following agenda items as I have indicated below and any and all business that may come before said meeting. If I fail to indicate my vote on the items specified below, my proxy shall vote in accordance with the recommendation of Management. Management recommends a "FOR ALL" vote for proposal 11, and a "FOR" vote for proposals 1 through 8.

ITEM NO.	SUBJECT MATTER	ACTION		
		Yes	No	Abstain
3	Approval of Minutes of Previous Meeting held on November 7, 2019			
5	Approval of Annual Financial Statements as of December 31, 2019			
6	Ratification of all acts and resolutions of the Board of Directors and Management adopted during the preceding year.			
7	Election of Directors *All nominees listed below Elvira A. Ting Kenneth T. Gatchalian Lamberto B. Mercado, Jr. Reno I. Magadia Nestor S. Romulo Byoung Hyun Suh (<i>Independent Director</i>) Aristeo R. Cruz (<i>Independent Director</i>) <i>Note:</i> To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list the name(s) under.	FOR ALL*	WITHHOLD FOR ALL*	EXCEPTION
8	Appointment of Valdez Abad & Associates, CPAs as external auditor			
9	At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the Meeting.			

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **OCTOBER 19, 2020**, THE DEADLINE FOR SUBMISSION OF PROXIES AT **METROALLIANCE.ASM@GMAIL.COM**.

THIS PROXY IS NOT REQUIRED TO BE NOTARIZED, AND WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED "FOR" THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANYTIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON.

IN WITNESS WHEREOF, the undersigned has executed this PROXY this ____ of _____ 2020 in _____.

Name and Signature of Stockholder/Authorized Representative

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:
 Preliminary Information Statement
 Definitive Information Statement
2. Name of Registrant as specified in its charter:
Metro Alliance Holdings & Equities Corp.
3. **Philippines**
Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number: **296**
5. BIR Tax Identification Code: **000-130-411**
6. **35th Flr. One Corporate Center, Doña Julia Vargas cor. Meralco Ave., Ortigas Center, Pasig City** **1605**
Address of principal office Postal Code
7. Registrant's telephone number, including area code: **(632) 8706-7888**
8. **October 29, 2020, Thursday, via remote communication**
Date, time and place of the meeting of security holders
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **October 5, 2020**
10. ***In case of Proxy Solicitations:***
Name of Person Filing the Statement/Solicitor: Not applicable
Address and Telephone No.: Not applicable
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
- | Title of Each Class | Number of Shares of Common Stock
Outstanding or Amount of Debt Outstanding |
|-------------------------|---|
| Common Class A | 183,673,470 |
| Common Class B | 122,448,979 |
| Outstanding Debt | ₱ 574,404,273 |
12. Are any or all of registrant's securities listed in a Stock Exchange?
Yes No
- If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
Philippine Stock Exchange All Common Class A and Class B

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders

(a) Annual Stockholders' Meeting will be held on:

Date: October 29, 2020, Thursday

Time: 2:00 pm

Place: Via remote communication

Complete mailing address of the principal office of the corporation:

**35th Floor One Corporate Centre, Doña Julia Vargas cor. Meralco Ave., Ortigas Center,
Pasig City, 1605**

(b) As stated in the first page of the information statement, the approximate date on which copies of the information statement are first to be sent or given to security holders is on **October 5, 2020**.

Item 2. Dissenters' Right of Appraisal

Instances of appraisal right of dissenters with respect to any matter to be acted upon provided in Section 80 of the Revised Corporation Code of the Philippines:

- (a) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;
- (c) In case of merger or consolidation; and
- (d) In case of Investment of corporate funds for any purpose other than the primary purpose of the corporation.

In instances wherein the stockholder has voted against a proposed corporate action, the statutory procedures required to be followed by dissenting security holders in order to perfect such rights are, as follows:

- (a) The dissenting stockholder shall make a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken. Provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the corporation shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the stockholder's shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action;
- (b) If, within (60) days from the approval of the corporate action by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by (3) disinterested persons one of whom shall be named by the stockholder, another by the corporation, and the third by the (2) thus chosen. Then findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment: Provided further, that upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer the shares to the corporation;

There are no matters or proposed corporate actions to be taken up during the annual stockholders meeting which may give rise to a possible exercise by security holders of their appraisal right under Section 80 of the Revised Corporation Code of the Philippines.

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

(a) No person who has been a director, officer, nominee for election as a director or associate of any director, officer or nominee of the corporation since the beginning of the last fiscal, has any

substantial interest, direct or indirect, by security holdings or otherwise, of each of the following persons in any matter to be acted upon, other than election to office.

- (b) No director of the registrant has informed the registrant in writing that he intends to oppose any action to be taken by the corporation at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

- (a) Class of voting shares as of **August 31, 2020**:

	Shares Outstanding	No. of Vote Each Share is Entitled
Common Shares – Class A		
Filipino	183,670,970	One (1) vote each
Foreigner	2,500	One (1) vote each
Total	183,673,470	
Common Shares – Class B		
Filipino	61,841,222	One (1) vote each
Foreigner	60,607,757	One (1) vote each
Total	122,448,979	
Total Outstanding Shares	306,122,449	

- (b) All stockholders as of record date **October 8, 2020** are entitled to notice and to vote at the annual stockholders' meeting.
- (c) The election of directors shall be taken up at the meeting and pursuant to Section 23 of the Revised Corporation Code. The holders of common stock (Class A and Class B) are entitled to one vote per share, but in connection with the cumulative voting feature applicable to the election of directors, each stockholder is entitled to as many votes as shall equal the number of shares held by such person at the close of business on the record date, multiplied by the number of directors to be elected. A stockholder may cast all such votes for a single nominee or may apportion such votes among any two or more nominees. The shares shall be voted/cast by secret balloting and/or raising of hands. In all matters included in the agenda, except the election of directors, the counting of vote will be done through the regular method.
- (d) Security Ownership of Certain Record and Beneficial Owners and Management (Information required by Part IV paragraph (C) of "Annex C" to the extent known by the persons on whose behalf the solicitation is made).

1. Security Ownership of Certain Record and Beneficial Owners

As of **August 31, 2020**, the Corporation knows of no one who beneficially owns in excess of 5% of the Corporation's common stock except as set forth in the table below.

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
Common Shares – Class A 43,067,501 Class B 30,598,833	PCD Nominee Corp. 37F Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo De Roxas, Makati City	PCD Participants and their clients**	Filipino	73,666,334	24.064%
Common Shares – Class B	Creston Global Limited c/o #9 Cardinal St., St. Dominic Subd., Bahay Toro, Congressional Ave, Quezon City	Perlie Alpuerto – Authorized signatory (Designated representative)	British	56,378,388	18.417%
Common Shares – Class A	Chesa Holdings, Inc. Room 206 Bencom Bldg., 146 West Avenue, Brgy. PHIL- AM, Quezon City	Yolly C. Fernandez Corporate Secretary (Designated representative)	Filipino	40,500,000	13.230%

Common Shares – Class A	Pacific Wide Realty & Development Corp. Room 206 Bencom Bldg., 146 West Avenue, Brgy. PHIL-AM, Quezon City	Babelyn R. Mantos Corporate Secretary (Designated representative)	Filipino	31,498,000	10.289%
Common Shares – Class A 16,376,856 Class B 13,432,644	Forum Holdings Corporation Room 402 Bencom Bldg., 146 West Avenue, Brgy. PHIL-AM, Quezon City	Ellen T. Balunsat Corporate Treasurer (Designated representative)	Filipino	27,875,000	9.106%
Common Shares – Class A 6,329,500 Class B 9,503,908	Pacific Concorde Corporation Room 402 Bencom Bldg., 146 West Avenue, Brgy. PHIL-AM, Quezon City	Lauraine San Roque Corporate Treasurer (Designated representative)	Filipino	15,833,408	5.172%

* Person designated to exercise investment power over the equity

** The clients of each company have the power to decide how their shares are to be voted. Natural persons authorized to vote the shares of PCD Nominee cannot be identified until the proxy shall have been appointed in writing by the stockholder himself or by his duly authorized attorney-in-fact.

2. Security Ownership of Management

As of **August 31, 2020** the security ownership of individual directors, executive officers and nominees of the Corporation is as follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	%
Common–Class A	Elvira A. Ting	98 / Direct	Filipino	0.000
Common–Class A	Kenneth T. Gatchalian	100 / Direct	Filipino	0.000
Common–Class A	Reno I. Magadia	100 / Direct	Filipino	0.000
Common–Class A	Nestor S. Romulo	1 / Direct	Filipino	0.000
Common–Class A	Lamberto B. Mercado, Jr.	1 / Direct	Filipino	0.000
Common–Class A	Aristeo R. Cruz	100 / Direct	Filipino	0.000
Common–Class A	James B. Palit-Ang	1 / Direct	Filipino	0.000
Common–Class B	Byoung Hyun Suh	1 / Direct	Korean	0.000
	Richard L. Ricardo	–	Filipino	0.000
	Annabelle T. Abunda	–	Filipino	0.000
Total		402		0.000

3. Voting Trust Holders of 5% or More – There are no voting trust holders of 5% or more.

4. Changes in Control – There are no change in control of the corporation and there is no arrangement which may result in change of control.

(e) No change in control of the corporation has occurred since the beginning of its last fiscal year.

Item 5. Directors and Executive Officers

If action is to be taken with respect to the election of directors, furnish the following information in tabular form, to the extent practicable.

A. Information required by Part IV, paragraphs (A), (D) (1) and (D) (3) of “Annex C”

(1) Directors, including Independent Directors, and Executive Officers

a. Names, ages, citizenship, and position and office of all directors and executive officers

Name	Age	Citizenship	Position and Office
Elvira A. Ting	59	Filipino	Chairman of the Board
Kenneth T. Gatchalian	44	Filipino	President
Lamberto B. Mercado, Jr.	55	Filipino	Director
Aristeo R. Cruz	54	Filipino	Independent Director
Reno I. Magadia	50	Filipino	Director
Nestor S. Romulo	75	Filipino	Director/Corporate Secretary

Byoung Hyun Suh	63	Korean	Independent Director
James B. Palit-Ang	56	Filipino	Treasurer
Richard L. Ricardo	57	Filipino	Vice President for External Affairs
Annabelle T. Abunda	44	Filipino	Finance Head

b. Term of Office as a Director

The Directors of the Corporation are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified. Thus, the term of office of each director is one year, until the Board of Directors at its first meeting following the Meeting of Stockholders has elected their successors annually. Their respective terms of office are until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been elected or shall have qualified.

c. Business experience during the past five (5) years and other directorships

	Company	Position
Elvira A. Ting Chairman/Director Filipino 58 years old BS in Business Administration Major in Management <i>Philippine School of Business Administration</i>	Forum Pacific, Inc. Philippine Estates Corporation Waterfront Philippines, Inc. Acesite (Hotels) Phils., Inc. Wellex Industries, Inc. The Wellex Group, Inc. Recovery Development Corp. Orient Pacific Corporation Rexlon Realty Group, Inc. Pacific Rehouse Corporation Westland Pacific Properties Corporation Crisanta Realty Devt. Corp. Heritage Pacific Corporation Palawan Estate Corporation Seabrook Resources & Dev't Corp Poly Premier Property Devt. Corp. Wanda Prime Property Dev't Inc. Bocauce Prime Estate Corporation Bulacan Fortune Land Dev't Corp. Waterfront Manila Premier Devt., Inc. Taguig Lake City Development Corp. Country Garden Agri-Tourism Devt. Inc. Alliance Energy Power & Devt. Corp. Plastic City Industrial Corp.	President/ Director President/CEO/Director Corp. Treasurer/Director Corp. Treasurer/Director Vice-President/Director Corp. Treasurer/Director Corp. Treasurer/Director Chairman/Director Chairman/President/Director Corp. Treasurer/Director Asst. Corp. Sec./Director Chairman/President/Director Chairman/President/Director Asst. Corp. Sec./Director Corp. Secretary/Director Corp. Treasurer/Director President/ Director President/ Director Chairman/President/Director Corp. Secretary/Director President/ Director Corp. Treasurer/Director Corp. Secretary/Director Corp. Treasurer/Director
Kenneth T. Gatchalian President/Director Filipino 44 years old BS in Architecture <i>University of Texas, USA</i>	Forum Pacific, Inc. The Wellex Group, Inc. Waterfront Philippines, Inc. Waterfront Manila Premier Devt., Inc. Acesite (Hotels) Phils., Inc. Philippine Estates Corporation Wellex Industries, Inc. Orient Pacific Corporation Wellex Mining Corporation Westland Pacific Properties Corp. Wellex Petroleum, Inc. Recovery Development Corp. Novateknika Land Corp. Pacific Rehouse Corporation Crisanta Realty Development Corp. Palawan Estate Corp. Philippine International Airways Philfoods Asia, Inc. Sourthernpec Philippines Inc. Manila Bay Front Hotels, Inc. Poly Premier Property Devt. Corp. Wanda Prime Property Development Inc. Westland Pacific Properties Corporation	Corp. Treasurer/ Director President/Director President/Director President/Director President/Director Vice Chairman/Director President/Director President/Director Chairman/President/Director Corp. Treasurer/Director Corp. Secretary/Director Chairman/President/Director Corp. Secretary/Director Chairman/President/Director Corp. Secretary/Director Corp. Secretary/Director Chairman/President/Director Corp. Treasurer/Director Chairman/Director President/Director Chairman/Director Chairman/Director Corp. Treasurer/Director

	North Luzon Premier Development Corp. Seabrook Resources and Dev't Corp Bulacan Harbour Development Corp. Bulacan Country Garden Devt. Corp.	Chairman/Director Chairman/President/Director Asst. Corp. Sec./Director Chairman/President/Director
Atty. Lamberto B. Mercado, Jr. Director/Compliance Officer Filipino 55 years old Bachelor of Laws (L.L.B.) <i>Ateneo de Manila University School of Law</i>	Forum Pacific, Inc. Wellex Industries, Inc. CPDSI, AHI and FEZ Waterfront Philippines, Inc. Philippine National Construction Corp Rexlon Realty Group, Inc. Wellex Mining Corporation Acesite (Hotels) Phils., Inc. Southernpec Philippines Inc. Dubai Gold Mining Corporation Seabrook Resources & Dev't Corp Sands Mining & Development Corp. Bulacan Harbour Development Corp. Wanda Prime Property Dev't, Inc. Bulacan Country Garden Devt. Corp.	Director Director Director Director Director Assist. Cop. Sec./Director Corp. Secretary/Director Chief Risk Officer/Director Corp. Secretary/Director Corp. Secretary/Director Corp. Secretary/Director Director Corp. Secretary/Director Director Director
Aristeo R. Cruz Independent Director Filipino 54 years old CPA Lawyer BS in Commerce Major in Accountancy <i>De La Salle University Bachelor of Laws (LLB) New Era University</i>	Meycauayan College, Inc. Cruz Altares & Associates Law Office Liberty Bank (A Rural Bank), Inc. Idealand Realty & Dev't Corp Philstar Innovation Realty Corp Statosphere Realty & Dev't Corp Jose & Luz Locsin Foundation Justino Emilia Realty and Mgt & Dev't Corp Waterstreet Realty Corp	Vice-Chairman/Director, Dean, College Department Founding and Managing Partner Vice President/Compiler President and Chief Operating Officer Corp. Secretary/Director President and Chief Operating Officer President Corp. Secretary President
Reno I. Magadia Director Filipino 50 years old BA in TV and Radio Broadcasting <i>California State University Master's Degree – Business Administration Pepperdine University Los Angeles, California</i>	Metro Combined Logistics Solution, Inc. Misons Industrial & Development Corp. Waterfront Philippines, Inc.	Managing Director Director Director
Nestor S. Romulo Corp. Secretary/Director Filipino 75 years old Lawyer Bachelor of Laws (LLB) <i>University of the Philippines</i>	Westmont Investment Corp. Wincorp Securities Romulo, Serrano & Camello Law Offices JMP Development, Inc. Reyno, Tiu, Domingo & Santos Law Offices JP Consultancy Resources & Management, Inc. Margarita Properties, Inc. Zuellig Distributors, Inc. Asia Healthcare, Inc. FEZ-EAC Holdings, Inc.	Chairman of the Board Director Partner Corporate Secretary Consultant Corporate Secretary Corporate Secretary Corporate Secretary Corporate Secretary Corporate Secretary
Byoung Hyun Suh Independent Director Korean 63 years old BS in Business Administration Korea University, Seoul Korea	Forum Pacific, Inc. Wellex Industries Inc. Philippines Estates Corporation Pan Islands, Inc. Overseas Korean Traders Associations Bonamis Pharmacy Phil's. Corp.	Independent Director Independent Director Independent Director President President President

<p>James B. Palit-Ang Treasurer Filipino 56 years old BS in Business Administration (Accounting) <i>Philippine School of Business Administration</i></p>	<p>Noble Arch Realty & Construction Corp. Philippine Estates Corp. Pacific Concorde Corporation Crisanta Realty Development Corp. Pacific Rehouse Corporation Recovery Real Estate Corporation Rexlon Realty Group, Inc. Orient Pacific Corporation Bulacan Fortune Land Dev't Corp. Aristocrat Manila City Holdings, Inc. North Luzon Premier Development Corp. Manila Bay Front Hotels, Inc. Vista Buena Mining Corp. Dubai Gold Mining Corp. Bird's Nest Resources Corp. Philfoods Asia, Inc. East Asia Oil & Mining Company, Inc. Wellex Industries, Inc. Heritage Pacific Corporation Forum Holdings Corporation</p>	<p>Chairman/President/Director Director Chairman/Director Vice-President/Director Asst. Corp Sec./Director Chairman/President/Director Corp. Secretary/Director Corp. Secretary/Director Director Chairman/President/Director President/Director President/Director President/Director Corp. Treasurer/Director Chairman/President/Director Corp. Treasurer/Director Chairman/President/Director Director Asst. Corp Sec./Director Chairman/President/Director</p>
<p>Richard L. Ricardo Investor Relations Officer / Vice President for External Affairs Filipino 56 years old BS in Management Economics <i>Ateneo de Manila University</i></p>	<p>Forum Pacific, Inc. Waterfront Philippines, Inc. Acesite (Phils.) Hotel Corporation Philippine Estates Corporation The Wellex Group, Inc. Rexlon Realty Group, Inc. Westland Pacific Properties Corp. Wellex Industries, Inc. Wellex Petroleum, Inc. Wellex Mining Corporation Bocau Prime Estate Corporation Taguig Lake City Development Corp Bulacan Country Garden Dev't. Corp. Alliance Energy Power & Dev't. Inc.</p>	<p>Investor Relations Officer/ Director Corporate Affairs Officer/Compliance Officer Vice President for Corporate Affairs/Compliance Officer Corp. Treasurer/Director Corporate Secretary/Director Vice President/Director Corporate Secretary/Director Corp. Treasurer/Investor Relations Officer/Director Corp. Treasurer/Director Assist. Corp. Sec./Director Corporate Secretary/Director Corporate Secretary/Director Corporate Secretary/Director President/Director</p>
<p>Annabelle T. Abunda Finance Head Filipino 44 years old CPA and Licensed Real Estate Broker BS in Accountancy <i>University of the Philippines in the Visayas</i></p>	<p>Forum Pacific, Inc. Wellex Industries, Inc. Pacific Wide Holdings, Inc. Pacific Rehouse Corporation</p>	<p>Compliance Officer Compliance Officer Accounting Manager Finance and Administration Manager</p>

Nominees for Election as Members of the Board of Directors, including the Independent Directors

The following are expected to be nominated to the Board of Directors of the Corporation for the ensuring year:

- | | |
|------------------------------|--|
| (1) Elvira A. Ting | (5) Reno I. Magadia |
| (2) Kenneth T. Gatchalian | (6) Byoung Hyun Suh – Independent Director |
| (3) Lamberto B. Mercado, Jr. | (7) Aristeo R. Cruz – Independent director |
| (4) Nestor S. Romulo | |

The aforementioned nominees are all incumbent directors. All nominees in the final list were pre-screened by the Nomination Committee and their qualifications are presented on the previous pages. The independent directors, Mr. Aristeo R. Cruz will be serving his 6th term as independent director while Mr. Byoung Hyun Suh, will be serving his 5th term as independent director when elected during the annual meeting. A company's independent director shall serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from re-election as such. In the instance that a company wants to retain an independent director who has served for nine (9) years, the Board

should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting pursuant to SEC Memorandum Circular No. 4 Series of 2017 (Term Limit of Independent Directors).

The Certifications of Independent Directors executed by the aforementioned independent directors of the Corporation are attached hereto (Please refer to pages 20 and 21). None of the candidates for independent directors of the Corporation are related to Metro Alliance Holdings & Equities Corp.

A summary of the nominees' qualifications is presented in the preceding paragraph. MS. Elvira A. Ting is the nominating person and he has no relationships with these nominees.

The members of the Nomination Committee are the following:

1. Lamberto B. Mercado, Jr. – Chairman
2. Aristeo R. Cruz– Member
3. Nestor S. Romulo – Member

(2) Significant Employees

Other than its current officers mentioned in the preceding subsection, the Corporation has not engaged the services of any person who is expected to make significant contribution to the business of the Corporation.

(3) Family Relationships

Ms. Elvira A. Ting, the Chairman/Director, is Mr. Kenneth T. Gatchalian's aunt, the President/Director. There are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, persons nominated or chosen by the corporation to become directors, or executive officers other than the above.

(4) Involvement in Certain Legal Proceedings

For the past five (5) years up to August 31, 2020, the Company is not aware of any bankruptcy proceedings filed by or against any business of a director, person nominated to become a director, executive officer or control person of the Company is a party or of which any of their property is subject.

For the past five (5) years up to August 31, 2020, the Company is not aware of any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, of any of its director, person nominated to become a director, executive officer, or control person.

For the past five (5) years up to August 31, 2020, the Company is not aware of any order, judgment or decree not subsequently reversed, superseded, or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting the involvement of a director, person nominated to become a director, person nominated to become a director, executive officer, or control person of the Company in any type of business, securities, commodities, or banking activities.

For the past (5) years up to August 31, 2020 the Company is not aware of any findings by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, that any of its director, person nominated to become a director, executive officer, or control person has violated a securities or commodities law.

The Corporation, as represented by the Board of Directors, is involved or has been involved in certain legal proceedings as follows (*please refer to page 47 to 49 of this report for the detailed discussion of each case*):

- 1) Metro Alliance vs Commissioner of Internal Revenue
 - Assessment for deficiency withholding taxes for the year 1989, 1990 and 1991.
 - As of the date of this report, Metro Alliance has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable.
- 2) Metro Alliance and Philippine Estate Corporation vs Philippine Trust Company, et. al.
 - Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sales plus Damages

- As of the date of this report, the case is pending resolution with the Regional Court of Tagaytay, Branch 18 SCA# TG-05-2519. The Parent Company was able to get the formal trial started and on-going.
- 3) Metro Alliance, Polymax Worldwide Ltd & Wellex vs Phil. Veterans Bank (PVB), et.al.
 - Civil Action with Damages to Nullify the Foreclosure of Property
 - The case is an injunction suit with damages filed on July 23, 2008 in RTC-Makati to nullify the foreclosure of Pasig lot securing a ₱350M loan obtained by the Plaintiffs.
 - The case was consolidated with other case of affiliated company with the same RTC. The consolidated case is now on appeal in the Court of Appeals.
 - 4) Metro Alliance, Polymax Worldwide Ltd vs NPC International Ltd, et al.
 - Civil Case filed by the Plaintiffs against the Defendants before the Regional Trial Court of Pasig City, Branch 159, Civil Case No. R-PSG 19-02106CV, For: Corporate Mismanagement and Damages with Application for Temporary Restraining Order and Injunction
 - Corollary to this, NPCI filed for arbitration proceedings with the Permanent Court of Arbitration in the Hague, which the Company views as forum shopping since said Pasig RTC Branch 159 has already acquired jurisdiction over the case.
 - 5) There are also other pending minor legal cases against the Parent Company. Based on the facts of these cases, management believes that its position has legal merits and the resolution thereof will not materially affect the Parent Company's financial position and results of operations.

Certain Relationships and Related Transactions

The Group, in the normal course of business, has transactions with related parties. The following table summarizes the transactions with related parties for the year ended December 31, 2019 and 2018. Please refer to Note 27 of the Audited Consolidated Financial Statements attached to this report for the broad discussions.

a. Due from/to related parties

The amounts due to related parties pertain to unsecured and noninterest bearing advances provided to the Group to finance its working capital requirements, capital expenditures, Petrochemical Project support and for other investments and have no definite repayment terms.

b. Payables for shared operating expenses

On November 30, 2011, Gulf Agency Company Holdings (BV) and the Parent Company executed a Deed of Assignment in which the former offered to assign, transfer, cede and convey to the latter all its rights, title and interests in and to its shares, and the latter has accepted the offer. Accordingly, the former's shares were cancelled on May 7, 2012.

In accordance with the Deed of Assignment, it is agreed that the outstanding liabilities of MCLSI with Gulf Agency Company Holdings (BV) referred to in the Memorandum of Agreement dated November 30, 2011 will be honored and paid, should the latter's shares be sold to other persons.

c. Compensation of key management personnel follows:

Particulars	2019	2018	2017
Short-term employee benefits	₱18,191,466	₱18,398,157	₱17,938,847
Retirement benefits	—	—	—
Total	₱18,191,466	₱18,398,157	₱17,938,847

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under their respective entity's retirement plan.

The related amounts applicable to the Group's transactions with related parties are as follows:

Particulars	Amount of Transactions		Outstanding	
	Increase (Decrease)		Receivable (Payable)	
	2019	2018	2019	2018
Advances (Asset Held for Sale)				
Polymax (special purpose entity)	₱2,634,110	₱2,551,564	₱366,185,828	₱368,819,938

Due from Related Parties*Operating subsidiary*

MCLSI	–	–	–	–
<i>Entity under common control</i>				
The Wellex Group, Inc.	–	–	5,258,610	5,258,610
Others	–	–	50,297	50,297
	–	–	5,308,907	5,308,907

Due to Related Parties*Entities under common control*

Acesite (Phils.) Hotel Corporation	–	–	5,627,202	5,627,202
Wellex Mining Corp.	–	–	–	–
The Wellex Group, Inc.	200	–	52,877,088	52,876,888
Philippine Estate Corp.	–	–	–	–
<i>Other related parties</i>				
Stockholders	–	–	–	–
Others	206,779	(264,151)	654,257	447,478
	206,979	(264,151)	59,158,547	58,951,568

Ownership Structure and Parent Company

Metro Alliance Holdings & Equities Corp. (MAHEC), the Parent Company, wholly owns three (3) companies: Consumer Products Distribution Services, Inc. (CPDSI), FEZ-EAC Holdings, Inc. (FEZ-EAC) and Zuellig Distributors, Inc. (ZDI), all have ceased operations. MAHEC owns 60% of Asia Healthcare, Inc. (AHI), the pharmaceutical arm of the Group and also have ceased operations. Lastly, MAHEC owns 51% of Metro Combined Logistics Solutions, Inc. (MCLI; formerly GAC Logistics, Inc.), the contract logistics arm and the only operating subsidiary of the Group.

Resignation of Directors Due to Disagreement

There are no directors who resigned or decline to stand for re-election because of disagreement.

Terms of Office

The Directors of MAHEC are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

All officers, except executive officers, shall be elected by the Board of Directors at its first meeting following their election. Every officer so elected shall be subject to removal at any time by the Board of Directors but all officers, unless removed, shall hold office until their successors are duly elected and qualified.

The executive officers shall hold office either by appointment of the Board of Directors or upon contract of employment with the Corporation approved by the Board of Directors.

The members of the Executive Committee are the following:

1. Elvira A. Ting – Chairman
2. Lamberto B. Mercado, Jr. – Member
3. Nestor S. Romulo – Member

Item 6. Compensation of Directors and Executive Officers

The following table lists the names of the Corporation's Directors and Executive Officers Annual Compensation for the two most recent years including the estimated compensation for year 2019. As observed, there was no compensation, in any form, to all Directors and key officers for the previous years due to the Company's tight cash position resulting from the trading suspension from PSE and subsidiaries that have ceased operations.

Summary Compensation Table – Annual Compensation

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
Elvira A. Ting Chairman of the Board	2020	-	-	-
	2019	-	-	-
	2018	-	-	-
Kenneth T. Gatchalian	2020	-	-	-

President	2019	-	-	-
	2018	-	-	-
James B. Palit-Ang Treasurer	2020	-	-	-
	2019	-	-	-
	2018	-	-	20,000.00
Nestor S. Romulo Corporate Secretary and Legal Counsel	2020	-	-	300,000.00
	2019	-	-	300,000.00
	2018	-	-	300,000.00
Aristeo R. Cruz Byoung Hyun Suh Independent Directors	2020	-	-	20,000.00
	2019	-	-	20,000.00
	2018	-	-	20,000.00
All directors and Officers as a Group unnamed	2020	-	-	-
	2019	-	-	340,000.00
	2018	-	-	340,000.00

The Compensation Committee prescribed only the above compensation for the specified officers and directors for year 2019. The members of Compensation Committee are the following:

1. Kenneth T. Gatchalian – Chairman
2. Reno I. Magadia – Member
3. Aristeo R. Cruz – Member

(1) Standard Arrangement

Except for a nominal amount of per diem amounting to ₱10,000 during attendance in special meetings, there is no standard arrangement with regard to election, any bonus, profit sharing, pension/retirement plan, granting of any option, warrant or right to purchase any securities. There are no other arrangements or consulting contracts or other form of services with directors.

(2) Other Arrangement

There are no other arrangements pursuant to which any director of the Corporation was compensated, or is to be compensated directly or indirectly for any services provided as a director for the last completed calendar year and ensuing year, for any service provided as a director.

(3) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There is no employment contract and termination of employment and change-in-control arrangement with the directors and executive officers.

(4) Warrants and Options Outstanding: Repricing

There are no warrants and options outstanding held by the Corporation's CEO, executive officers and all officers and directors as a group. There is no repricing made.

Item 7. Independent Public Accountants

- (a) Valdes, Abad & Associates, CPAs (VAA), upon recommendation by the Audit Committee of the Board of Directors composed of Mr. Aristeo R. Cruz as Chairman and Mr. Lamberto B. Mercado, Jr. and Mr. Kenneth T. Gatchalian as members, is the external auditors of the Company for the year 2019. Said firm will be recommended to the stockholders for election as the Company's principal external auditors for the year 2020. The selection of external auditors is made on the basis of credibility, professional reputation and accreditation with the Securities and Exchange Commission. The professional fees of the external auditors are approved by the Company after the approval by the stockholders of the engagement and prior to the commencement of each audit season.
- (b) In Compliance with SRC Rule 68 paragraph 3 (b) (iv) (Rotation of External Auditors) and as adopted by the Company, the external auditors or engagement partners are rotated every five years or earlier. The Corporation has engaged Ms. Felicidad A. Abad of Valdes Abad & Associates for years 2011-2012, 2014-2016, and Mr. Alfonso L. Cay-an of Valdes Abad & Associates for calendar year 2017-2019.
- (c) Representatives of the principal auditors for the current year and for the most recently completed fiscal year are expected to be present at the annual stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and are likewise expected to be available to respond to appropriate questions.
- (d) External Audit Fees and Services

Audit and related fees of Valdes Abad & Associates for Metro Alliance for expressing an opinion on the financial statements and assistance in preparing the annual income tax return includes Audit fee of 330,000.00, out of pocket expenses of 33,000.00, VAT of 43,560.00 and Tax fees of NIL for both 2019 and 2019. No other service was provided by external auditors to the company for the calendar year 2019.

(e) Changes in and Disagreement with Accountants on Accounting and Financial Disclosure during the corporation's two most recent fiscal years or any subsequent interim period.

(1) Valdes Abad & Associates who is the Corporation's principal accountant for the most recent fiscal year and the current year has not resigned (or indicated it has declined to stand for re-election after the completion of the current audit) nor was it dismissed.

(2) No new independent accountant has been engaged as either the principal accountant to audit the registrant's financial statements or as an independent accountant on whom the principal accountant has expressed or is expected to express reliance in its report regarding a significant subsidiary, notwithstanding any previous disclosure.

There is no change in the auditing firm or handling partner in the two most recent calendar years and in the interim period. There are no changes and disagreements with accountants on accounting and financial disclosure.

Item 8. Compensation Plans

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed. There are no stock options, warrants or rights plan or any other type of compensation plan.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

Wellex Industries, Inc. has no plans yet to increase its authorized capital stock.

Item 10. Modification or Exchange of Securities

Wellex Industries, Inc. has no plans yet to modify any of each authorized and issued securities or to exchange then to another class

Item 11. Financial and Other Information

Audited Financial Statements as of December 31, 2019, Management's Discussion and Analysis and Market Price of Shares and other data related to the Company's financial information are attached thereto. The schedules required under Part IV(c) of Rule 68 are included in the Annual Report.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

There is no action to be taken with respect to any transactions involving the following: (1) the merger or consolidation of the Corporation into or with any other entity; (2) the acquisition by the Corporation or any of its stockholders of securities of another person or entity; (3) the acquisition by the Corporation of any other going business or of the assets thereof; (4) the sale or other transfer of all or any substantial part of the assets of the Corporation; and (5) the liquidation or dissolution of the Corporation.

Item 13. Acquisition or Disposition of Property

There is no action to be taken with respect to any material acquisition or disposition of any property of the Corporation.

Item 14. Restatement of Accounts

There is no action to be taken with respect to the restatement of any asset, capital, or surplus account of the Corporation.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

(a) The Annual Report and Audited Financial Statements for the year ended December 31, 2019 will be presented to the stockholders for approval by a majority vote of the stockholders. Approval of the Annual Report and Audited Financial Statements constitutes a ratification of the Corporation's performance during the previous fiscal year as contained therein.

- (b) Minutes of the Annual Stockholders' Meeting held last November 7, 2019 will also be presented to the stockholders for approval by a majority vote of the stockholders.
- (c) Ratification of the Corporate Acts of the Board of Directors and Executive Officers since November 7, 2019 by a majority vote of the stockholders.
- (f) Election of the members of the Board of Directors for the ensuing year
- (g) Appointment of External Auditor by a majority vote of the stockholders.

Below is a summary of the Corporate Acts of the Board of Directors and Executive Officers subject to ratification of the stockholders:

August 13, 2019

Setting the date of the annual stockholders' meeting on November 7, 2019 at 2:00 in the afternoon at One Café and Events Place, 6th Flr., One Corporate Centre, Doña Julia Vargas cor. Meralco Ave., Ortigas Center, Pasig City. The Board also set October 8 as record date for purposes of determining the shareholders entitled to receive Notice of Meeting and to vote and be elected during the said meeting.

Approval of the Guidelines on Declassification of A and B shares into one common class and designating signatories to sign and execute needed documents.

October 21, 2019

The Corporation disclosed the death of Metro Alliance Holdings and Equities Corp.'s Chairman, Mr. Renato B. Magadia.

October 28, 2019

The Corporation disclosed the vacancy of the position of Chairman of the board due to the demise of Mr. Renator B. Magadia and Atty. Lamberto B. Mercado Jr. has been elected as Acting Chairman to fill in the vacancy as there are urgent matters requiring action/signature of the Chairman. In addition, the Corporation submitted the required Material Related Party Transaction Policy to Securities and Exchange Commission and disclosed the said report to Philippine Stock Exchange, Inc.

November 7, 2019

The Corporation submitted the result of the Annual Stockholders' Meeting and the Organizational Meeting of the Board of Directors held last November 7, 2019 at One Café and Events Place, 6th Floor One Corporate Centre, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City.

November 18, 2019

The Corporation submitted Initial Statement of Beneficial Ownership of Securities of Elvira A. Ting and Kenneth T. Gatchalian as a new appointed Chairman and President, respectively.

February 11, 2020

Approval of the Resolution designating new signatories for the Company in its account with UCPB

May 7, 2020

The postponement of the Company's Annual Stockholders' Meeting is due to the lockdown which prevented the preparation of all the needed materials and documents

June 10, 2020

Approval of the parent's audited financial statements for the year ended December 31, 2018 including independent auditors' report.

June 25, 2020

Approval of the consolidated audited financial statements for the year ended December 31, 2019 including independent auditors' report.

September 16, 2020

Setting the date of Annual Stockholder's Meeting through remote communication due to COVID-10 pandemic. The Board also set Sept. 30, 2020 as the record date for purposes of determining the shareholders entitled to receive Notice of Meeting and to vote and be elected during the said meeting. The Board approved the designation of James Palit-Ang as the authorized signatory for purposes of filing pleadings in the Arbitration case filed by NPC International Ltd. before the Permanent Court of Arbitration.

The Board approved the designation of Atty. Lamberto Mercado, Jr. as the proxy for the Company in the stockholders meeting of Metro Combined Logistics Solutions, Inc.

Item 16. Matters Not Required to be Submitted

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of the stockholders.

Item 17. Amendment of Charter, By-Laws or Other Documents

Except for the amendment of the Article III of the Articles of Incorporation, amendments of which was approved by the Securities and Exchange Commission last March 14, 2016, as approved by more than 2/3 of the outstanding capital stock of the Corporation on 2014 annual stockholders' meeting, there are no amendments made to the Corporation's charter and by-laws for the year 2015 and as of the date of this report.

Item 18. Other Proposed Action

As of this report, there are no other matters which the Board of Directors intends to present or has reason to believe others will present at the meeting.

Item 19. Voting Procedures

An affirmative vote by the stockholders owning at least a majority of the outstanding capital stock shall be sufficient for the approval of 1) Minutes of the Previous Stockholders' Meeting 2) Financial Statements 3) Ratification of Corporate Acts of the Board of Directors and Officers of the corporation as reflected in the minutes 4) Appointment of External Auditor.

The holders of a majority interest of all outstanding stocks of the Corporation entitled to vote at the meeting present in person or by proxy, shall constitute a quorum for the transaction of business.

The holders of common stock are entitled to one vote per share, but in connection with the cumulative voting feature applicable to the election of directors, each stockholder is entitled to as many votes as shall equal the number of shares held by such person at the close of business on the record date, multiplied by the number of directors to be elected. A stockholder may cast all of such votes for a single nominee or may apportion such votes among any two or more nominees. The shares shall be voted/cast by secret balloting and/or raising of hands. In all matters included in the agenda, except the election of directors, stockholders are entitled to one vote per share. For the election of directors, the counting will be cumulative. The counting of votes will be done by the Corporate Secretary with the assistance of the representatives of the Corporation's independent auditors, Valdes Abad & Associates and Stock Transfer Agent, BDO Unibank, Inc. All votes attaching to the shares owned by stockholders whose proxies were received by the Corporation will be cast in accordance with the instructions given or authority granted under the proxies.

Due to COVID-19 Global Pandemic, the Board of Directors of Forum Pacific, Inc. has decided to conduct the annual stockholders' meeting via remote communication like Zoom or its equivalent. Stockholders can only participate in the meeting by remote communication. Stockholders as of the Record Date who intend to participate or be represented in the meeting should register for the meeting by notifying the Corporation by email at **metroalliance.ASM@gmail.com** not later than October 16, 2020 (at 5:00P.M.) and shall first submit a copy of proof of identity, ownership and other certification/information for validation purposes and/or duly accomplished proxy instrument for a representative to the virtual meeting, if applicable.

Stockholders as of the Record Date who are interested in casting their votes on any of the matters to be presented during the 2020 ASM must cast their votes on or before October 16, 2020 (at 5:00pm). Stockholders whose shareholdings are lodged with the Philippine Central Depository are reminded to secure a certification of your shareholdings from your respective stockbrokers. Registered stockholders and confirmed proxies will receive the meeting link and password. Only stockholders who notified the Company of their intention to participate in the virtual meeting and have registered themselves or their proxies will be included in the determination of quorum.

The full details of the registration and voting procedures will be available on the Company's website, www.metroalliance.com/annualstockholdersmeeting.html, on September 28, 2020.

We are not soliciting proxies.

PART II.

INFORMATION REQUIRED IN A PROXY FORM
(This form shall be prepared in accordance with paragraph (5) of SRC Rule 20)

NOT APPLICABLE

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on September 21, 2020.

Metro Alliance Holdings & Equities Corp.

By:


Atty. Nestor S. Romulo
Corporate Secretary

Upon the written request of the stockholder, the Corporation undertakes to furnish said stockholder a copy of the SEC Form 17-A free of charge. Any written request for a copy of the SEC Form 17-A shall be addressed as follows:

Atty. Nestor S. Romulo
Corporate Secretary
Metro Alliance Holdings & Equities Corp.
35th Flr., One Corporate Center,
Dona Julia Vargas cor. Meralco Ave.,
Ortigas Center, Pasig City

CERTIFICATION OF INDEPENDENT DIRECTOR

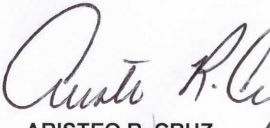
I, **Aristeo R. Cruz**, Filipino, of legal age and a resident of No. 4 Malhacan Road, Meycauayan City, Bulacan, after having been duly sworn to in accordance with law do hereby declare that;

1. I am an independent director of **Metro Alliance Holdings & Equities Corp.** and have been its independent director since September 2015.
2. I am affiliated with the following companies or organizations:

COMPANY	POSITION	PERIOD OF SERVICE
Meycauayan College, Inc.	Vice Chairman/Director Dean, College Department	December 2011 – present November 2007 – present
Cruz Altares & Associates Law Office (formerly Cruz, Castro & Altares Law Office)	Founding and Managing Partner	July 2007 – present
Liberty Bank (A Rural Bank), Inc.	Vice President/Compiler	July 2018 - present
Idealand Realty & Development Corp.	President and Chief Operating Officer (COO)	November 2009 - present
Philstar Innovation Realty Corp.	Director and Corporate Secretary	October 2011 – present
Statosphere Realty & development Corp.	President and Chief Operating Officer (COO)	October 2011 – present
Jose & Luz Locsin Foundation	President	November 2012 – present
Justino Emilia Realty and Management & Dev't. Corp.	Corporate Secretary	March 2008 - present
Waterstreet Realty Corp.	President	June 2012 - present

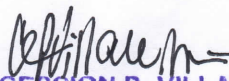
3. I possess all the qualification and none of the disqualifications to serve as an Independent Director of **Metro Alliance Holdings & Equities Corp.**, as provided for in Section 38 of the Securities Regulation Code, its Implement Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of **Metro Alliance Holdings & Equities Corp.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of **Metro Alliance Holdings & Equities Corp.** of any changes in the abovementioned information within five days from its occurrence.

Done, this SEP 16 2020 day 2020, at QUEZON CITY.


ARISTEO R. CRUZ
 Affiant

SUBSCRIBED AND SWORN to before me this SEP 16 2020 day of 2020 at QUEZON CITY affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 108-672-299 issued at Bureau of Internal Revenue

Doc. No. 247;
 Page No. 38;
 Book No. 38;
 Series of 2020;


ATTY. CONCEPCION P. VILLAREÑA
 Notary Public for Quezon City
 Until December 31, 2021
 PTR No. 9296041 – 1-2-2020/ QC
 IBP No. 093586 – 10-22-2019/ QC
 Roll No. 30457 – 05-09-80
 MCLE VI – 0030379
 Adm. Matter No. NP-001(2020-2021)
 TIN No. 131-942-754

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Byoung Hyun Suh**, Korean, of legal age and a resident of Unit 2006B The Salcedo Place, Tordesillas St., Salcedo Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that;

- I am an independent director of **Metro Alliance Holdings & Equities Corp.** and have been its independent director since 2016.
- I am affiliated with the following companies or organizations:

COMPANY	POSITION	PERIOD OF SERVICE
Pan Islands, Inc.	President	February 1995 - present
World OKTA (Overseas Korean Traders Association) Federation	Director	November 2004 - present
Wellex Industries, Inc.	Independent Director	June 2011 - present
Forum Pacific, Inc.	Independent Director	June 2011 - present
Bonamis Pharmacy Phil's. Corp.	President	October 2011 to Present
Philippines Estates Corporation	Independent Director	2016 - present


- I possess all the qualification and none of the disqualifications to serve as an Independent Director of **Metro Alliance Holdings & Equities Corp.**, as provided for in Section 38 of the Securities Regulation Code, its Implement Rules and Regulations and other SEC issuances.
- I am not related to any director/officer/substantial shareholder of **Metro Alliance Holdings & Equities Corp.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
- To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
- I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
- I shall inform the Corporate Secretary of **Metro Alliance Holdings & Equities Corp.** of any changes in the abovementioned information within five days from its occurrence.

Done, this AUG 18 day 2020, at QUEZON CITY.


BYOUNG HYUN SUH
 Affiant

SUBSCRIBED AND SWORN to before me this AUG 18 2020 day of _____ at QUEZON CITY affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 122-963-522 issued at Bureau of Internal Revenue.

Doc. No. 300;
 Page No. 1;
 Book No. _____;
 Series of 2020, _____


ATTY. CONCEPCION P. VILLAREÑA
 Notary Public for Quezon City
 Until December 31, 2021
 PTR No. 9296041 - 1-2-2020/ QC
 IBP No. 093586 - 10-22-2019/ QC
 Roll No. 30457 - 05-09-80
 MCLE VI - 0030379
 Adm. Matter No NP-001(2020-2021)
 TIN No. 131-942-754

CERTIFICATION

I, NESTOR S. ROMULO, of legal age and with office address at Unit 202 20th Flr. Antel 2000 Corporate Center, 121 Valero St., Salcedo Village, Makati City, after being duly sworn to in accordance with law, do hereby certify:

I am the Corporate Secretary of METRO ALLIANCE HOLDINGS & EQUITIES CORP. (the "Company"), a corporation organized and existing under Philippine laws with principal office at 35th Flr, One Corporate Center, Doña Julia Vargas Ave., cor. Meralco Ave., Ortigas Center, Pasig City (the "Corporation").

All incumbent directors and officers of the Corporation are not connected with any government agency or instrumentality, except for Lamberto B. Mercado, Jr. Attached herewith is a copy of his consent letter for your reference.

I execute this Certification to comply with the requirements of the Securities and Exchange Commission.


IN WITNESS WHEREOF, I have hereunto set my hand this _____ in the City of Pasig.


NESTOR S. ROMULO
Corporate Secretary

SEP 22 2020

Subscribed and sworn to before me this _____ of _____ 2020, in **MAKATI CITY** affiant exhibiting to me his Tax Identification Number. 107-200-723-000 issued by the Bureau of Internal Revenue/

Doc. No. 60;
Page No. 13;
Book No. 17;
Series of 2020


ATTY. RONALD C. SANDOVAL
NOTARY PUBLIC
Appointment No. N73, Until 31 December, 2021
Roll of Attorney No. 55523
IBP No. 093609, Cavite, 27 November 2019
PTR NO. 8117029, 02 January 2020
MCLE Compliance No. VI-0020978, 26 March 2019
Unit 102, Sunette Tower, Makati Ave
Brgy. Poblacion, Makati City

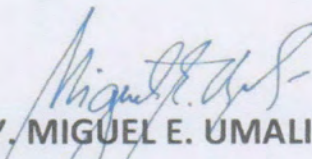


PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION

CERTIFICATION

This is to certify that **ATTY. LAMBERTO B. MERCADO JR.** is hereby allowed/authorized to occupy membership in the Board of Directors of other corporations provided such memberships do not conflict with his official function as member of the PNCC Board of Directors.

Done this 2nd day of September 2020 in Bicutan, Paranaque City.


ATTY. MIGUEL E. UMALI
President and CEO

**METRO ALLIANCE HOLDINGS & EQUITIES CORP.
MANAGEMENT REPORT
AS REQUIRED BY SRC RULE 20
INCLUDING FINANCIAL INFORMATION FOR 2ND QUARTER OF 2020**

Item 1. Business

A. Description of Business

(1) Business Development

Metro Alliance Holdings & Equities Corp. (MAHEC or the Parent Company) is incorporated in the Philippines. The Parent Company and its subsidiaries (collectively referred to as "the Group") are involved in contract logistics. Certain subsidiaries previously engaged in the importation and distribution of polypropylene resin and pharmacy management have ceased operations.

The Parent Company was first incorporated in October 15, 1929 as a management and trading company called Marsman & Company, Inc. (Marsman). Marsman was listed on the Philippine Stock Exchange (the 'Exchange') in 1947. The Parent Company changed its name to Metro Alliance Holdings & Equities Corp. as approved by the stockholders on the annual meeting on April 6, 1999 and subsequently approved by Securities and Exchange Commission on October 11, 1999.

The new registered office address of the Parent Company is at 35th Flr. One Corporate Centre, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City last November 2010. Amendment of Articles of Incorporation was approved by the Securities and Exchange Commission last March 14, 2016.

In 2015, the SEC approved the amendment made to Article III of the Group's Articles of Incorporation in regard to the change of Company's official business address from 22nd Floor Citibank Tower, 8741 Paseo de Roxas, Makati City to 35th Floor One Corporate Center, Dona Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City.

A regular meeting of the stockholders of Metro Alliance Holdings & Equities Corp. was held on November 16, 2018 for the purpose of, among other purposes, securing the consent of the stockholders for the amendment of the Articles of Incorporation specifically, Article Ninth to declassify common shares class A and B shares resulting to one common shares and also Article Sixth to increase the number of directors from seven to nine. These amendments were approved by the stockholders and/or their represented proxy during said the meeting and was filed to SEC last May 8, 2019. As of June 30, 2020, the amendment is pending for SEC approval.

Status of Operation

The Group and Polymax Worldwide Limited (Polymax), its special purpose entity incorporated in British Virgin Island entered into a series of acquisition transactions (see details below) to acquire ownership of the petrochemical plant of NPC Alliance Corp. (NPCA), which resulted in a 2006 disputed sale of Polymax's 60% interest in NPCA to NPC International Limited (NPCI) and Petrochemical Industries Investment Company (PIIC). Subsequently on August 27, 2013 the Company and Polymax entered into a settlement agreement with NPCI, PII and NPC to resolve the dispute. On the basis of the settlement agreement, the previously issued 2006 consolidated financial statements of the Company and its subsidiaries were restated to reflect the sale of Polymax's 60% interest in the petrochemical plant.

The Group still holds 20% interest in NPC Alliance Corporation (NPCAC) as of June 30, 2020. While this investment is still realizable at substantially higher value than the stated in the books, sufficient provision for possible loss have already been recorded. Recently, it has been determined that the present global petrochemical market conditions have had a dampening effect on the viability of the polyethylene business, especially when coupled with the difficulty in sourcing ethylene feedstock. As a consequence, thereof, and in order to protect our interest, we have filed legal suits against our partners in NPCAC in order to establish full accountability. Among the other options we have presented to our Iranian partners is to consider the take-over of the plant by MAHEC/Polymax together with its potential Chinese partner. The proposal of MAHEC/Polymax is still under consideration by Persian Gulf Petrochemical Industries Corporation (PGPIC), the majority shareholder of NPCA.

MAHEC's remaining operating subsidiary, Metro Combined Logistics Solutions, Inc. (MCLSI), is steadily growing with additional business from its existing principals. MCLSI is also exploring business opportunities in the transport field, including computer app solutions, warehousing and cold storage; in medical distribution and pharmaceutical business logistics, operation of hospice care and management of

medical clinics, importation of medical equipment; and also in document storage, car parking, sea travel, river ferry and airport/seaport terminal management.

Acquisition Transactions

On December 4, 2003, the Parent Company entered into a Memorandum of Agreement (MOA) with Polymax, whereby the Parent Company confirmed the designation of Polymax as the acquiring company in the proposed acquisition of the senior secured debt papers of BPC from International Finance Corporation (IFC). Under the MOA, the Parent Company and Polymax agreed that (a) the acquisition of the secured debt paper would be for the account and benefit of the Parent Company; (b) the funding for the acquisition would be provided and arranged by the Parent Company; and (c) the exercise of creditor rights arising from the secured debts via foreclosure and takeover of the assets of BPC would be directed by and for the account and benefit of the Parent Company. In addition, the Parent Company would make certain advances to Polymax.

On December 19, 2003, Polymax and IFC entered into an Assignment and Transfer Agreement (the Agreement) for the purchase by the former of the senior secured debt papers of BPC. The Parent Company advanced to Polymax the initial deposit of US\$5 million, which was remitted to IFC for the assignment payment, pursuant to the terms of the Agreement. On February 11, 2004, IFC confirmed that it has received the full payment for the assignment of the senior secured debt papers of BPC.

To partially finance the Parent Company's advances relating to the Petrochemical Project, the Parent Company obtained short-term loans from local banks. With the delay in the completion of the activities and the conditions required for the Petrochemical Project, the Parent Company was unable to pay the bank loans on maturity dates. As of December 31, 2006, the amounts payable to the banks totaled ₱866.7million, consisting of the outstanding principal balance of ₱378.3million and finance charges of ₱488.4million. In 2007, these past due liabilities were unilaterally transferred to and applied against the advances made to Polymax.

Pursuant to the Parent Company's plan of acquiring full control of BPC, instead of exercising creditor rights, the Parent Company, on April 16, 2004, entered into a Share Purchase Agreement (SPA) with BPC, Tybalt Investment Limited (TIL), BP Holdings International B.V. (BPHI) and Petronas Philippines, Inc. (PPI), with TIL as the purchaser of the 83% interest of the foreign shareholders of BPC. As agreed by the parties, the SPA is to take effect as of March 31, 2004, subject to closing conditions, as defined in the SPA, which the parties have to comply with within a period of 60 days or later if the conditions are not met. On July 7, 2005, Polymax and BPC executed a Deed of Conveyance, transferring to Polymax under an asset for share swap, the petrochemical plant of BPC in exchange for 85million common shares of Polymax with par value of US\$1 per share, or a total par value of US\$85million.

On July 20, 2005, the Parent Company, Polymax and NPC International Limited (NPCI) entered into an SPA which provided that, subject to certain conditions, including the transfer of the petrochemical plant of BPC free from encumbrances, NPCI will acquire 60% of the issued share capital of NPCA from Polymax.

On August 9, 2005, Polymax and NPCA executed a Deed of Conveyance, transferring to NPCA, under an asset for share swap, the same petrochemical plant in exchange for 4.8million shares of common stock of NPCA with a total par value of ₱4.8billion, resulting in 100% ownership interest of Polymax in NPCA.

On November 15, 2005, BPC and Polymax executed a Deed of Assignment whereby BPC transferred and conveyed to Polymax all its rights and interest to Polymax's 85 million shares of common stock, with a total value of US\$85million, in exchange for the discharge of a portion of BPC's secured debt, which was acquired by Polymax from IFC, up to the extent of the value of the shares transferred. Polymax retired the said shares 10 days from the date the Deed of Assignment.

On December 16, 2005, Polymax, NPCI, Petrochemical Industries Investment Company (PIIC) and the Parent Company entered into an amended SPA whereby NPCI and PIIC will purchase 40% and 20% of NPCA's shares of common stock, respectively, from Polymax. In addition to the conditions set forth in the original SPA, the amended SPA also involves advances to be provided by NPCI amounting to US\$15 million representing an advance payment which may be used to fund the bona fide third-party costs of NPCA or BPC for the recommissioning, operation and maintenance of the petrochemical plant or such other third-party cost or expenses, taxes or duties as agreed between Polymax and NPCI. On the same date, the Parent Company, NPCI and PIIC entered into a Guarantee and Indemnity agreement whereby the Parent Company irrevocably and unconditionally guaranteed the prompt performance and observance by Polymax and the payment on demand by Polymax of all moneys, obligations and

liabilities, which are now or at any time after the execution of the agreement become due from or owing or incurred by Polymax under or in connection with any of the SPA and the Shareholders' Agreement. The Parent Company also guaranteed that it shall be liable for Polymax's obligations, as if it were a principal debtor, if Polymax's obligations are no longer recoverable from Polymax.

On March 18, 2006, Polymax, NPCI, PIIC and the Parent Company entered into an Agreement of Variation (March 2006 Variation Agreement) to vary and amend the terms of the "Amended and Restated Share Purchase Agreement (ARSPA) and the Shareholders' Agreement" entered on December 16, 2005. Under the March 2006 Variation Agreement, completion of the conditions and conditions subsequent set forth in the ARSPA was extended to April 30, 2006. Moreover, additional conditions that Polymax needs to satisfy prior to completion were agreed upon. On the same date, Polymax and NPCI executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to NPCI all the rights, title and interest in 19,090,000 NPCA shares of common stock, equivalent to 40% ownership interest, for a consideration of ₱1.91billion.

On September 11, 2006, Polymax, NPCI, PIIC, the Parent Company and NPCA entered into another Agreement of Variation (September 2006 Variation Agreement) to further vary and amend the terms of the ARSPA and the Shareholders' Agreement (both initially amended and varied by the March 2006 Variation Agreement). Polymax, in accordance with its obligations under the ARSPA, had notified NPCI and PIIC that it is aware that certain conditions will not be fulfilled by April 30, 2006. As a result, the parties agreed to transfer to PIIC the 9,545,000 NPCA shares of common stock prior to completion, while certain conditions will become conditions subsequent to be completed on December 31, 2006.

On September 20, 2006, Polymax and PIIC executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to PIIC all the rights, title and interest in 9,545,000 NPCA shares of common stock, equivalent to 20% ownership interest, for a consideration of ₱954.5million.

On December 31, 2006, the ARSPA Variation Agreement expired with the conditions subsequent remaining unsettled. Nevertheless, NPCI and PCII took control of the petrochemical plant resulting in a dispute with the Parent Company and Polymax, who considered the sale of Polymax's 40% and 20% interest in the petrochemical plant to NPCI and PCII, respectively, as null and void.

On August 21, 2007, the petrochemical plant started commercial operations under NPCI and PIIC. Subsequently on August 27, 2013, the Parent Company and Polymax entered into a settlement agreement with NPCI, PIIC and NAC to resolve, fully and finally, the dispute arising from the uncompleted acquisition transactions described above. Under the agreement, NPCI shall, among others, pay Polymax the remaining balance of the purchase price of the 60% NPCA shares net of deductions agreed by the parties. Simultaneous with the execution of the agreement, Polymax shall also sell to NPCI an additional 20% of Polymax's interest in NPCA from the remaining 40% equity holding in NPCA at US\$8million or its equivalent in Philippine peso. In September 2013 and August 2014, the remaining balance due to Polymax was paid by NPCI and the 20% interest of Polymax in NPCA was sold to NPCI, respectively, in accordance with the agreement.

As a result of the foregoing settlement, the arbitration tribunal issued on October 2, 2014 an order for withdrawal of the arbitration cases (under the United Nations Commission on International Trade Law Rules of Arbitration), which were earlier filed by the parties due to the dispute arising from their various agreements.

On August 21, 2007, the petrochemical plant started commercial operations under NPCI and PIIC. Subsequently on August 27, 2013, the Company and Polymax ("Respondents") entered into a settlement agreement with NPCI, PIIC and NPC ("Claimants") to resolve the dispute arising from the uncompleted acquisition transactions described above. Under the agreement, NPCI shall, among others, pay Polymax the remaining balance of the purchase price of the 60% NPCA shares net of deductions agreed by the parties. Simultaneous with the execution agreement, Polymax shall also sell to NPCI an additional 20% of Polymax's interest in NPCA from the remaining 40% equity holding in NPCA at US\$8 million or its equivalent in Philippine peso. In September 2013 and August 2014, the remaining balance due to Polymax was paid by NPCI and the 20% interest of Polymax in NPCA was sold to NPCI, respectively, in accordance with the agreement.

As a result of the foregoing settlement, the arbitration tribunal issued on October 2, 2014 an order for withdrawal of the arbitration cases (under the United Nations Commission on International Trade Law Rules of Arbitration), which were earlier filed by the parties due to the dispute arising from their various agreements.

Business Development of the Subsidiaries:

Metro Combined Logistics Solutions, Inc. (MCLSI) (Formerly GAC Logistics, Inc. (GACL)

MCLSI is 51% owned by MAHEC, by virtue of a joint venture agreement with Gulf Agency Company (GAC) which owns the other 49%. MCLSI was registered with the Securities and Exchange Commission on September 30, 1998. MCLSI is primarily engaged in carrying on all or part of the business of contract logistics and supply chain management services, including third party warehousing and distribution, consultancy and project management and value added services to customers throughout the Philippines. MCLSI's business is steadily growing with the entry of new principals and additional businesses from its existing principals.

Non-operating Subsidiaries:

Consumer Products Distribution Services, Inc. (CPDSI) is a wholly owned subsidiary of Metro Alliance. It was first incorporated on November 11, 1993 as Metro Drug Distribution, Inc. (MDDI). In November 7, 1997, the Securities and Exchange Commission approved the renaming of MDDI to CPDSI. Prior to 2002, CPDSI was involved in providing logistics and administrative services in connection with the sale and distribution of principals' products. The last service agreement expired in 2002. In January 2002, CPDSI shifted into the business of importation and toll manufacturing of propylene and distribution of polypropylene in the local market. In April 2003, CPDSI ceased its polypropylene business operations due to the substantial increase in prices of imported raw materials. Management intends to continue pursuing the petrochemical business. Currently, CPDSI has no business operations.

FEZ-EAC Holdings, Inc. became a wholly owned subsidiary of the Corporation in November 11, 2002. It was incorporated in February 3, 1994. It ceased operations at the end of 2001 following the expiration of the third party logistics contract of its subsidiary with Phillip Morris Philippines, Inc.

Zuellig Distributors, Inc. is a wholly owned subsidiary of the Corporation. It ceased operations in June 30, 1999 following the expiration of its exclusive distribution agreement with its single principal. It was incorporated in October 18, 1985.

Asia Healthcare, Inc. is 60% owned by the Corporation. AHI was first incorporated in July 2, 1918. In August 2000, the Corporation invested in AHI. However, in 2002, it ceased operations due to heavy losses. The low volume and minimal margin on the sales of pharmaceutical products have not been sufficient to cover the costs of the services and products provided by AHI. Consequently, AHI was constrained to terminate contracts with its clients and cease its business operations. On December 17, 2002, AHI filed a voluntary petition for insolvency with the Pasig City Regional Trial Court (RTC). On February 27, 2003, the Pasig City RTC declared AHI as insolvent.

Bankruptcy, receivership and similar proceedings

Except for AHI which filed for insolvency in December 2002, Metro Alliance and its subsidiaries are not involved in any bankruptcy, receivership or similar proceeding.

Material reclassification, merger consolidation or purchase

There is no material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

(2) Business of Metro Alliance

Description of Registrant

(i) Principal products and services

Metro Alliance is a publicly listed holding company with investments in shares of stock of other listed companies and investment in subsidiary involved in contract logistics and supply chain management services, including third party warehousing and distribution, consultancy and project management and value added services to customers throughout the Philippines.

Principal products or services of its subsidiaries:

MCLSI provides contract Logistics and Supply Chain Management Services to meet the business needs of major companies in the Philippines. Contract logistics and supply chain management services include third party warehousing and distribution, consultancy and project management services to multinational and local companies. Revenue contribution of each principal for the year 2019 is as follows:

PRINCIPAL	SERVICE INCOME	% to TOTAL
Zuellig Pharma Corp.	61,943,569.33	19.45%

Mitsubishi Motors Philippines Corp.	54,929,347.06	17.25%
Johnson & Johnson (Phils.), Inc.	42,184,726.94	13.25%
Nutri Asia, Inc	26,023,584.19	8.17%
Fresenius Medical Care Philippines Inc	25,609,764.15	8.04%
Zuellig Pharma Corp. - Canlubang	24,475,859.32	7.69%
Interphil Laboratories Inc	14,251,258.84	4.48%
3M Philippines Inc	13,342,936.31	4.19%
EL Laboratories Inc	12,847,730.10	4.04%
Alaska Milk Corporation	9,349,947.75	2.94%
Fonterra Brands Philippines Inc	6,638,768.02	2.09%
Brenntag Ingredients, Inc	6,394,729.55	2.01%
P.K.S.S. Enterprises Inc.	3,093,316.60	0.97%
Miles and Levels Philippines Inc	1,838,505.00	0.58%
Ajanta Pharma Philippines Inc	1,757,150.99	0.55%
Personal Collection Selling Inc	1,727,120.49	0.54%
Bon Flex Packaging	1,590,582.39	0.50%
Others	10,406,202.97	3.27%
TOTAL	318,405,100.00	100%

(ii) Export sales

Metro Alliance and its subsidiaries are not engaged in export sales.

(iii) Distribution Methods of the Products

The core of MCLSI contract logistics services is warehouse and transport management. It leases dedicated warehouses or operates warehouses leased/owned by its principals and contracts dedicated personnel to manage its warehouses. Its principal's products are shipped mostly in four and six-wheeler closed van through a shipping and cargo services company.

(iv) Publicly announced new product or service.

Metro Alliance and its subsidiaries have no publicly-announced product or service.

(v) Competition

MCLSI's main competitors include IDS Logistics, DHL-Exel, Shenker, Fast Services, Agility (formerly Geologistics) and Air 21. The quality of MCLSI's services compared to their competitors is extremely difficult to determine. However, the fact that MCLSI has been able to secure new contracts with new principals as well additional contracts with existing principals is indicative that service levels are satisfactory.

(vi) Sources and availability of raw materials and principal supplier

Since the Company ceased to have control or have sold its interest in MVC, which involves in the manufacturing of chemicals which are widely used in household applications, there are no sources and availability of raw materials and principal supplier to be disclosed.

(vii) Dependence on one or few major customers

Metro Alliance and its subsidiaries are not dependent on any one industry, company or customer. However, the Zuellig Pharma Group's accounts is 20% or more of the total sales of MCLSI.

(viii) Transactions with and/or dependence on related parties

Metro Alliance has significant transactions with related parties which include the granting and availment of interest and non-interest bearing cash advances. Transactions with and/or dependence on related parties is discussed in detail in Item 12, Certain Relationships and Related Transactions, of this report.

(ix) Patent, trademark, copyright, franchise, concession or royalty agreement

Metro Alliance and its subsidiaries are not covered with any patent, trademark, copyright, franchise, concession or royalty agreement.

(x) Government approval of principal products or services

There is no need for any government approval on principal products of Metro Alliance and its subsidiaries.

(xi) Effect of existing or probable governmental regulations on the business

There are no existing or probable governmental regulations that will affect the business of Metro Alliance and its remaining operating subsidiary, MCLSI.

(xii) Estimate of the amount spent during each of the last three calendar years on research and development activities

There are no such activities in Metro Alliance and its other subsidiaries.

(xiii) Costs and effects of compliance with environmental laws

Metro Alliance has secured the required permits and clearances from the Health Sanitary Department of the City Government of Pasig to comply with the applicable environmental regulations. A strict compliance with other environmental agencies such as DENR is no longer required since Metro Alliance ceased to have control or have sold its interest MVC, which has manufacturing facilities for producing chemicals.

(xiv) Total Number of Full Time-Employees (as of December 31, 2019):

Metro Alliance

Metro Alliance has two (2) regular employees: one (1) administrative managerial employee and one (1) administrative executive employee. No CBA. There has been no strike or any similar threat for the last 3 years. Except for 14th month and 15th month bonuses and conversion of unused sick leaves, there are no other supplemental and incentive arrangements with its employees.

MCLSI

	<i>Rank and File</i>	<i>Supervisors</i>	<i>Managers and up</i>	<i>Total</i>
Operations	474	24	8	506
Administrative	14	2	6	22
Total	488	26	14	528

No Collective Bargaining Agreement (CBA). There has been no strike or similar threat within the last three (3) years. There are no supplemental and incentive arrangements with its employees. The number of employees will be increased only upon entry of new principals.

(xv) Major Risks

Metro Alliance

Capital availability, access to credit and high borrowing rates. Negotiations with local and foreign investors, both banking and non-banking institutions are currently being pursued.

Metro Alliance's financial instruments consist of cash, advances to or from affiliates, loans and long-term debt. The carrying amounts of these financial instruments, which are currently due and demandable, approximate their respective fair values as of balance sheet date. The main risk arising from Metro Alliance's financial instruments are interest rate risk, credit risk and liquidity risk. The Board of Directors reviews and approves policies for managing each of the risks.

Interest rate risk

Metro Alliance exposure to the risk for changes in the market interest rates relates to its loan payable and long term debt, which principally bear floating interest rates.

Credit risk

It is Metro Alliance's policy to require all concerned affiliates and /or third party to comply and undergo a credit verification process with emphasis on their capacity, character and willingness to pay. In addition, receivables are closely monitored so that exposure to bad debts is minimized. Metro Alliance deals only with legitimate parties. As to other financial assets of Metro Alliance like cash, the credit risk arises only in case if default of the counterparty and the maximum exposure is limited to the carrying amount of the instruments.

Liquidity risk

Metro Alliance objective is to maintain a balance between flexibility and continuity of funding. However, because of the default on the payment of interest and principal amortizations on existing debts, Metro Alliance access to funds has been limited to those of its related parties in the form of advances. Current

working capital requirements will continue to be sourced from short-term loans and advances from related parties.

MCLSI

During the negotiation stage, budgets and performance standards are defined, discussed and agreed with the principal. All costs and expenses are passed on to the principal. The principal advances the total budgeted cost and expenses at the beginning of the month making the operation sufficiently liquid. Excess cash reverts back to the principal and any overspending by MCLSI is normally discussed, supported and reimbursed.

MCLSI's financial instruments consist of cash, receivables, accounts payables and obligations under finance lease. It is, and has been throughout the year under review, MCLSI's policy that no trading in financial instruments shall be undertaken. The main risk arising from MCLSI's financial instruments are credit risk and liquidity risk. MCLSI's board of directors reviews and approves policies for managing these risks.

Item 2. Properties

A. Description of Property

Metro Alliance

The Parent Company entered into an operating lease agreement with The Wellex Group, Inc. for a business space in the 35th floor of One Corporate Centre, Dona Julia Vargas cor. Meralco Ave., Ortigas Center Pasig City. The term of the lease is from May 1, 2014 until April 30, 2016 and was renewed thrice until April 30, 2022 with adjustments in the rental rates as agreed by the parties, if any. Monthly rental for the leased premises amounts to ₱21,000, exclusive of VAT.

MCLSI

- a) The Parent Company entered into an operating lease agreement with The Wellex Group, Inc. for a business space in the 35th floor of One Corporate Centre, Dona Julia Vargas cor. Meralco Ave., Ortigas Center Pasig City. The term of the lease is from May 1, 2014 until April 30, 2016 and shall be renewable for another period of two (2) years with adjustments in the rental rates as agreed by the parties. Monthly rental for the leased premises amounts to ₱21,000, exclusive of VAT. The contract was renewed twice and valid until April 30, 2020.
- b) During the year, MCLSI renewed the lease contract for its office space. The term of the contract is (1) year commenced in February 1, 2018, renewable subject to the terms and conditions as may be mutually agreed upon. Monthly rental payments amounted to ₱71,150. This was renewed in February 1, 2019.
- c) MCLSI entered in lease contract for a warehouse and office building located at Warehouse #6 along E. Rodriguez St., Tunasan, Muntinlupa City. The lease term commenced on April 14, 2014. The contract was renewed twice and valid until April 2020. Rental deposits paid is equivalent to three (3) months rental following the terms and conditions.
- d) MCLSI entered into new lease contracts for a warehouse, and parking and open space located at Warehouse 3, 21st St Golden Mile Business Park, Brgy, Maduya Carmona, Cavite. The lease term commenced on November 3, 2015 until November 2, 2018. The contract further renewed until November 2, 2021 with a monthly rental fees of ₱326,340.00 with 5% escalation starting November 3, 2019. Rental deposits paid is equivalent to three (3) months rental following the terms and conditions.
- e) MCLSI entered into another lease contract for warehouse, and parking and open space located at Warehouse 4, 21st Golden Mile Business Park, Brgy. Maduya Carmona, Cavite. The lease term commenced on October 12, 2015. The contract further renewed until October 11, 2021 with a monthly rental fees of ₱345,555.00 with 5% escalation starting October 12, 2019. Rental deposits paid is equivalent to three (3) months rental following the terms and conditions.
- f) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at Warehouse 2, 21st St Golden Mile Business Park, Brgy. Maduya Carmona, Cavite. The lease term commenced on October 16, 2016. The contract further renewed until October 15, 2024 with a monthly rental fees of ₱393,000.00 with 3% escalation every year starting October 16, 2020. Rental deposits paid is equivalent to three (3) months rental following the terms and conditions.

- g) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at Warehouse 1, 21st St. Golden Mile Business Park, Brgy. Maduya Carmona, Cavite with a covered area of 1,877sqm. The lease term commenced on November 7, 2016 to November 6, 2019 with monthly rental payments of ₱321,342.00. A 5% escalation will start on the third year. The contract further renewed until November 6, 2024 with a monthly rental fees of ₱375,400.00 with 3% escalation every year starting November 7, 2020. Rental deposits paid is equivalent to three (3) months rental following to the terms and conditions.
- h) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at Block 8 Lot 10, Golden Mile Business Park, Brgy. Maduya Carmona, Cavite with a covered area of 2,522 sqm and open area of 1,045 sqm. The lease term commenced on March 1, 2016 to February 29, 2019. The contract further renewed until February 28, 2022 with a monthly rental fees of ₱442,255.00 with 5% escalation starting March 1, 2021. Rental deposits paid is equivalent to two (2) months rental following the terms and conditions.
- i) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at Elisco Street, Brgy. Kalawan, Pasig City, with a covered area of 2,460 sqm and open area of 1,196 sqm. The lease term commenced on November 26, 2016 to November 25, 2019 with monthly rental payments of ₱511,460 with an escalation of 7% starting on the second year. Upon execution of the contract, the Company had paid three months' advance rental amounted to ₱1,534,380 and another two months' security deposit amounted to ₱956,000. The contract further renewed for a year until November 20, 2020 with a monthly rental fees of ₱601,988.41. Increase in Security deposits was paid following the increase of rentals.
- j) MCLSI entered into a new lease contract for a warehouse at Pangutlan Road, Tayud, Consolacion, Cebu with a covered area of 450 sqm. The lease term commenced on November 1, 2018 to October 31, 2021 with monthly rental payments of ₱81,000.00 with an escalation of 5% starting on the second year. The Company had paid Security deposit amounted to ₱324,000 equivalent to four month rentals.
- k) MCLSI entered in lease contract for a warehouse and office building located at Warehouse #1 along E. Rodriguez St., Tunasan, Muntinlupa City. The lease term commenced on May 15, 2019 until May 14, 2021 with a monthly rental fees of ₱172,800.00. Rental deposits paid is equivalent to three (3) months rental following the terms and conditions.

MCLSI owns and operates trucks as follows:

Model	Series	Body Type	Year Model
Isuzu	Elf	Aluminum Van Truck	2003
Isuzu	Elf	Reefer Van Truck	2001
Mitsubishi	L300 Delux c/c	FB Body	2017
Mitsubishi	L300 Delux c/c	FB Body	2017

MCLSI also leases warehouse equipment. Lease term is renewable at the option of both parties. Details of the lease as of August 31, 2020 are as follows:

There are no planned acquisitions or lease of properties within the next 12 months.

VENDOR	WAREHOUSE EQUIPMENT	LOCATION	MONTHLY LEASE INCLUSIVE OF 12% VAT	LEASE TERM
Piston & Rings	Nichiyu Reach Truck Model FBR13-60-400	Baesa, Q.C.	42,000.00	November 2019 and expiring on October 31, 2021
	Nichiyu Electric Counter Model FB18P-60-300	Baesa, Q.C.	42,000.00	November 2019 and expiring on October 31, 2021
Piston & Rings	TCM Reachtruck Serial: 78L00665	6th St. Carmona	44,600.00	November 2019 and expiring on October 31, 2021
	TCM Diesel Forklift	6th St. Carmona	32,480.00	November 2019 and expiring on October 31, 2021
Piston & Rings	Komatsu Electric Serial # 61389	Golden Mile - Carmona	41,240.00	November 2019 and expiring on October 31, 2021
	Toyota Counter Balance Model: 7FB18	Golden Mile - Carmona	41,240.00	November 2019 and expiring on October 31, 2021
Piston & Rings	Toyota Electric Counter Balance Serial#5F18-21231	Warehouse 6- Tunasan	39,000.00	November 2019 and expiring on October 31, 2021
	Crown Reachtruck	Warehouse 6- Tunasan	56,000.00	November 2019 and expiring on October 31, 2021
Piston & Rings	Toyota Reachtruck 2.0 tons Serial# 5FBR20-10388	Zuellig - Tunasan	44,800.00	November 2019 and expiring on October 31, 2021
	Shinko FB20 2.0 tons Serial # 168487	Zuellig - Tunasan	44,800.00	November 2019 and expiring on October 31, 2021
	Toyota Reachtruck 1.5 tons Model: FBR15	Zuellig - Tunasan	44,800.00	November 2019 and expiring on October 31, 2021
	Nichiyu Reach Truck 1.5 tons Serial # 152AE0430	Zuellig - Tunasan	44,800.00	November 2019 and expiring on October 31, 2021
Piston & Rings	Toyota Reachtruck Serial #6FBR15	Warehouse - Kalawaan	41,800.00	November 2019 and expiring on October 31, 2021
	Nichiyu Reachtruck Serial # FBRAW13 - backup	Warehouse - Kalawaan	21,280.00	November 2019 and expiring on October 31, 2021
Piston & Rings	Forklift	J & J Bicutan	38,600.00	November 2019 and expiring on October 31, 2021
Crownlift Trucks	SC0127 SC5245-40TT190-10127400	Nutri Asia- Bulacan	49,448.00	January 12, 2020 and expiring on January 2021
	SC0128 SC5245-40TT190-10127401	Nutri Asia- Bulacan	49,448.00	January 12, 2020 and expiring on January 2021

Philippines Corp.	SC0129 SC5245-40TT190-10127402	Nutri Asia- Bulacan	49,448.00	January 12, 2020 and expiring on January 2021
	SC0130 SC5245-40TT190-10127403	Nutri Asia- Bulacan	49,448.00	January 12, 2020 and expiring on January 2021
	SC0131 SC5245-40TT190-10127404	Nutri Asia- Bulacan	49,448.00	January 12, 2020 and expiring on January 2021
	WT0021 WT3040-670-2400-5A620863	Nutri Asia- Bulacan	24,371.20	January 12, 2020 and expiring on January 2021
	WT0022 WT3040-670-2400-5A620864	Nutri Asia- Bulacan	24,371.20	January 12, 2020 and expiring on January 2021
	SC0119 SC5245-40TT190 10100826	Nutri Asia- Bulacan	49,448.00	January 12, 2020 and expiring on January 2021
	RMD0001 RMD6095S-45TT475-1A565244	Nutri Asia- Bulacan	97,304.48	January 12, 2020 and expiring on January 2021
	RMD0002 RMD6095S-45TT475-1A565245	Nutri Asia- Bulacan	97,304.48	January 12, 2020 and expiring on January 2021
	CG201417 CG33P-5FFT4730-FG00010	Nutri Asia- Bulacan	30,800.00	January 12, 2020 and expiring on January 2021
	CG201418 CG33P-7FFT4730-FG00035	Nutri Asia- Bulacan	30,800.00	January 12, 2020 and expiring on January 2021
	RD0217 RD5795S 32TT421-1A554902	Nutri Asia- Bulacan	77,336.00	January 12, 2020 and expiring on January 2021
	RD0218 RD5795S 32TT421-1A554897	Nutri Asia- Bulacan	77,336.00	January 12, 2020 and expiring on January 2021
	Yaletrak Phils. Inc	Yale Model: FRC045VG Serial # A968N05315J	Brenntag - San Pedro	50,000.00
Shinko Model 8FBR18LW1X Serial # RIG-15582		MMPC - Carmona	40,000.00	May 16, 2020 and expiring May 15, 2021

Plan of Operation

In the management letter last year, Management summarized the projected plans of the Company. Fortunately, significant development has happened principally due to the lifting of the suspension of the trading of the Company's shares on the Philippines Stock Exchange (PSE).

Projected Plan for the next 12 months:

The Group still holds 20% interest in NPC Alliance Corporation (NPCAC) as of December 31, 2019. While this investment is still realizable at substantially higher value than the stated in the books, sufficient provision for possible loss have already been recorded. Recently, it has been determined that the present global petrochemical market conditions have had a dampening effect on the viability of the polyethylene business, especially when coupled with the difficulty in sourcing ethylene feedstock. As a consequence, thereof, and in order to protect our interest, we have filed legal suits against our partners in NPCAC in order to establish full accountability. Among the other options we have presented to our Iranian partners is to consider the take-over of the plant by MAHEC/Polymax together with its potential Chinese partner. The proposal of MAHEC/Polymax is still under consideration by Persian Gulf Petrochemical Industries Corporation (PGPIC), the majority shareholder of NPCA.

MAHEC's remaining operating subsidiary, Metro Combined Logistics Solutions, Inc. (MCLSI), is steadily growing with additional business from its existing principals. MCLSI is also exploring business opportunities in the transport field, including computer app solutions, warehousing and cold storage; in medical distribution and pharmaceutical business logistics, operation of hospice care and management of medical clinics, importation of medical equipment; and also in document storage, car parking, sea travel, river ferry and airport/seaport terminal management.

Actions of the Company

The Parent Company has remained steadfast to regain its status as a going concern. In line with this, several actions were taken to conserve the Parent Company's resources and build confidence for its business direction:

- Commitment by the majority shareholders of the Parent Company to guaranty the recoverable value of the remaining "assets for sale" in its books in order that the Parent Company's equity be preserved;
- Pressing the majority shareholders of NPCA to write down the obligation of NPCAC to its principal shareholders to pave the way for restructured financial statements;
- Increasing the number of Board Directors from 7 to 9 in order to pave the way for a broader representation of stakeholders;
- Removing the "A" and "B" classification of the company shares to integrate common shares into just one class;
- Working out a stock rights offer for take advantage of unissued shares from our authorized capital stock.

After the conduct of stock right offering, the Parent Company will pursue its pending application with the SEC to increase its authorized capital stock to ₱5 billion, in order to meet its projected investments. In sum, the Parent Company is expected to satisfy its cash requirements to finance its projected plans and investments in new ventures throughout the calendar year 2020.

Realization of Outstanding Receivables from Polymax Worldwide in the Amount of Php366,185,828 as of December 31, 2019

Assuming that the 4-way negotiations with the Chinese bank, the Chinese petrochemical firm and the Iranians will bog down, there are other alternatives to address the issue. For example, in order that this outstanding receivable will be fully recovered, a payment via dacion of the remaining 20% NPCA shares

held by Polymax in NPC Alliance may be assigned to Metro Alliance, thus, making the company the direct shareholders of NPCA.

The estimated present value of the 20% NPCA shares is placed at \$20 million.

Manpower requirements

The Group does not expect significant changes in the number of employees as it still in the stage of exploring new business opportunities. Manpower will be outsourced if needed.

Capital Asset Acquisition

The Group will make purchases of equipment and machineries in the future if needed especially when investment in mining industry will materialize.

Management's Discussion and Analysis

Key Performance Indicators

Metro Alliance and its majority-owned subsidiaries key performance indicators follow:

Metro Alliance

1. Net income
2. Earnings per share – net income attributable to each share of common stock. (net income / weighted number of shares outstanding)
3. Return on average equity – ability to generate returns on investment of stockholders. (net income / average equity)
4. Debt to total asset ratio – the proportion to total assets financed by creditors. (total debt / total assets)
5. Debt to Equity ratio – an indicator of which group has the greater representation in the assets of the company (total debt / equity)

Metro Alliance (Parent Company) registered a net loss of ₱4.1 million in 2019 as against net loss of ₱6.7 million in 2018 and net income of ₱5.7 million in 2017, respectively. Decrease in Net loss in 2019 as compared in 2018 is mainly attributable to the decrease in unrealized loss on FVOCI in a publicly-listed company whose fair value is based on published prices on Philippines Stock Exchange.

Comparative analysis of Metro Alliance's key performance indicators follows:

Performance indicator	December 31		
	2019	2018	2017
Earnings (loss) per share (in Php)	(0.01)	(0.01)	0.01
Return (loss) on average equity	(0.01)	(0.01)	(0.01)
Debt to total assets ratio	0.45	0.45	0.44
Debt to equity ratio	0.83	0.81	0.79

MCLSI

1. Profitability
 - a. Gross profit margin – measures the profitability of revenues (services) in relation to the cost of services. (gross profit / revenues)
 - b. Net profit margin – ability to generate surplus for stockholders. (net income / sales)
 - c. Return on assets – ability to generate returns from assets. (net income / assets)
 - d. Return on equity – ability to generate returns on investment of stockholders. (net income / stockholders equity)
2. Liquidity ratios
 - a. Current ratio – capacity to meet current obligations out of its liquid assets. (current assets / current liabilities)
 - b. Receivables turnover and days' sales in receivables – measures the ability to collect receivables. (net credit sales / average trade receivables) (365 days / receivables turnover)

MCLSI's profitability is more favorable in 2019 as compared to 2018 and 2017. This is mainly due to the increase in the Company's revenue. The favorable profitability is attributable to rental fees and adhoc and reimbursable charges for the year.

Comparative analysis of MCLSI's key performance indicators follows:

Performance indicator	December 31		
	2019	2018	2017
Profitability			
a. Gross profit margin	0.183	0.144	0.209
b. Net profit margin	0.056	0.035	0.073
c. Return on assets	0.069	0.059	0.118
d. Return in equity	0.200	0.145	0.280
Liquidity			
a. Current ratio	1.861	1.583	1.635
b. Receivables turnover	3.114	3.336	3.006
c. Days' sales in receivables	123	109	121

CPDSI, FEZ-EAC, ZDI and AHI

Currently, CPDSI, FEZ-EAC, ZDI and AHI have no performance indicators because these are non-operating companies as mentioned above.

Financial Highlights

The table below shows the consolidated financial highlights of Metro Alliance for the years ended December 31, 2019, 2018 and 2017:

Balance Sheet	As of December 31 (In Php'000)		
	2019	2018	2017
Current assets	₱200,345	₱197,416	₱168,259
Noncurrent assets	482,881	407,742	411,703
Total Assets	683,226	605,158	579,962
Current liabilities	359,230	345,252	324,057
Noncurrent liabilities	180,833	129,713	128,356
Total Liabilities	540,063	474,965	452,413
Stockholder's Equity	143,163	130,193	127,549
Total Liabilities and Stockholder's Equity	₱683,226	₱605,158	₱579,962

Income Statement	As of December 31 (In Php'000)		
	2019	2018	2017
Sales and services	₱318,405	₱286,713	₱224,221
Cost of sales and services	(260,127)	(245,352)	(177,450)
Gross profit	58,278	41,361	46,771
Other expenses – net	(36,044)	(29,126)	(27,637)
Net income before tax	22,234	12,235	19,134
Income tax – Current	(7,861)	(5,651)	(8,031)
Deferred	795	804	(530)
Net income (loss) after tax	15,168	7,388	10,573
Net income (loss) attributable to:			
Equity Holders of the Parent Company	6,431	2,472	3,539
Non-controlling interest	8,738	4,916	7,034
	15,168	7,388	10,573
Earnings (Loss) Per Share Attributable to holders of Parent Company	₱0.021	₱0.008	₱0.012

The Group will commence to explore business opportunities. As of report date, biggest contributor to the Group's revenue is its logistic arm, MCLSI when it steadily growing for the past several years after. The Group will reorganize its operations; evaluate its remaining assets; review all pending legal cases; and settle and resolve its outstanding issues with other regulatory government bodies. The Group will focus on traditionally stable industries or sunrise sectors in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

Calendar Year Ended December 31, 2019 vs. Calendar Year Ended December 31, 2018

CHANGES IN OPERATING RESULTS

Net Income and Earnings (Loss) Per Share

The Group registered a consolidated net income of ₱15.2 million in 2019 as against net income of ₱7.4 million in 2018 and ₱10.6 million in 2017, resulting an increase in net income by ₱7.8 million or 105.41% as compared to last year's. Earnings (loss) per share for 2019, 2018 and 2017 for equity holders of the Parent Company are ₱0.021, ₱0.008 and ₱0.012, respectively. The increase in net income was mainly due to the increase of sales. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group.

Sales and Services

The Group registered gross service revenue of ₱318.4 million, ₱286.7 million and ₱224.2 million for the years ended December 31, 2019, 2018 and 2017. The increase in revenue of ₱31.7 million or 11.06% in 2019 is due to additional businesses from MCLSI's existing principal resulting to new service contracts on its logistics and warehousing operations and clients of its new subsidiary.

Cost of Sales and Services

Total cost of sales and services for the years 2019, 2018 and 2017 amounted to ₱260.1 million, ₱245.4 million, ₱177.5 million, respectively. The increase of ₱14.7 million or 5.99% is mainly attributable to increase in the following: transport expense of ₱12.9 million, depreciation ₱32.4 million, outside services ₱3.1 million and interest expense ₱2.7 million.

General Administrative Expense and Other Income (Expenses)

General Administrative expense and Other income (expenses) is composed of administrative expenses, interest income, dividend income, interest expense and other income not normally earned from the ordinary course of business. Expenses for the years 2019, 2018 and 2017 amounted to ₱36.0 million, ₱29.1 million, and ₱27.6 million, respectively. Resulting in an increase of ₱6.9 million or 23.71%. The increase is a net effect of increase in administrative expenses of ₱4.2 million or 14.43%, decrease in other expense of ₱2.7 million or 4.80%.

CHANGES IN FINANCIAL CONDITION

As discussed in Note 3 to the Consolidated Financial Statements, the following companies are included in Metro Alliance consolidated financial statement: MCLSI, CPDSI, FEZ-EAC, ZDI and AHI. A subsidiary is an entity in which the Company has control. Subsidiaries are consolidated from the date on which control is transferred out of the Company.

Polymax is the Group's special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPCA which resulted in a 2006 disputed sale of Polymax's 60% interest in NPCA to NPC International Limited (NPCI) and Petrochemical Industries Investment Company (PIIC). Subsequently on August 27, 2013 the Company and Polymax entered into a settlement agreement with NPCI, PII and NPC to resolve the dispute. On the basis of the settlement agreement, the previously issued 2006 consolidated financial statements of the Company and its subsidiaries were restated to reflect the sale of Polymax's 60% interest in the petrochemical plant.

The remaining 20% of Polymax's interest which is valued at ₱366.2 million, which is estimated recoverable amount from the sale of investment. The realization of the Company's advances to Polymax (an unconsolidated special purpose entity in 2007) and the settlement Polymax's past due liabilities for which the Company is jointly and severally liable, depends on whether sufficient cash flows can be generated from Polymax's 20% interest in NPCA, which is for sale, and from a letter of comfort issued by the Wellex Group of Companies in favor of the Parent Company. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. As explained in the notes to financial statements, management's plan is to infuse additional capital to address the going concern uncertainty.

Assets

Cash and cash equivalents for the years 2019 and 2018 amounted to ₱33 million and ₱43.2 million, respectively. Decreased by ₱10.2 million or 23.61% in 2017 is net effect of net cash received from operating activities amounting ₱26.8 million, net cash from investing activities of (₱109.6 million) and net cash provided for financing activities of ₱72.6 million.

Receivables amounted to ₱148.3 million in 2019 and ₱132.1 million in 2018 (net of allowance for doubtful accounts of ₱149.0 million and ₱148.1 million as of December 31, 2019 and 2018, respectively). Net

trade and other receivables increased by ₱16.2 million or 12.26%. Other receivables pertain to advances subject for liquidation.

Other current assets amounted to ₱19.1 million in 2019 and ₱22.39 million in 2018 (net of allowance for probable losses of ₱12.9 million for both years 2019 and 2018). In 2019, the decrease by ₱3.29 million is net effect of decrease in input taxes ₱0.8 million and decrease in other prepayments ₱2.5 million.

Asset held for sale amounting to ₱366.2 million and ₱368.8 million for years ended December 31, 2019 and 2018 (which constitute 54% and 61% of the Group's total assets as of December 31, 2019 and 2018, respectively) represents advances to Polymax, the Group's special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPC Alliance Corporation (NPCA).

During 2014, 20% of the 40% remaining interest of Polymax in NPCA was sold. To reiterate assurance of the collectability of the Parent Company's advances to Polymax, a comfort letter dated April 10, 2015 was issued by the major stockholders of the Parent Company.

On December 16 and 22, 2015, the Company was able to collect advances from Polymax amounted to ₱300 million and ₱73 million, respectively.

The Company made additional collections of the advances from Polymax amounting to ₱2,551,564 and ₱2,551,564 in 2019 and 2018, respectively.

Equity instruments at Fair Value through Other Comprehensive Income (FVOCI) amounted to ₱21.2 million in 2019 and ₱22.6 million in 2018. This account includes shares of stocks owned in publicly-listed company and non-listed entity. The fair value of these shares has been determined directly by reference to published prices in the active market. Accumulated net unrealized gain amounted to ₱4.9 million and ₱6.4 million as of December 31, 2019 and 2018, respectively.

Investment in Debt Security

During 2019, the Company invested with Philippine Depository and Trust Corporation (PDTC) through Security Bank. The bond has a face value of 2,000,000 with an interest rate of 4.50% and will mature on June 28, 2021. Total interest income earned of the investments amounted to ₱38,632 on December 31, 2019. Carrying amount of the bond investment on December 31, 2019 amounted to ₱2,038,632. Management considers the carrying amount recognized in the statements of financial position to be reasonable approximation of their fair values. The Company has no debt investments in 2018.

Property, plant and equipment-net amounted to ₱81.6 million in 2019 and ₱6.7 million in 2018. Net increase in property, plant and equipment in 2019 by ₱74.9 million pertains mainly to the new reportable PFRS 16 item, the Right-Of Use Asset, with ₱106.3 million amount and depreciation expense of ₱32.8 million.

The Group has no outstanding contractual commitments to acquire certain property and equipment as of December 31, 2019 and 2018. In 2019 and 2018, the Group carried out a review of the recoverable amounts of its property and equipment. The Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

Other non-current assets for the years 2019 and 2018 amounted to ₱6.5 million and ₱4.9 million, respectively. This account consists of intangible asset pertaining to non-exclusive software license cost for use in MCSL's warehouse management system and non-current portion of refundable deposits.

Liabilities

Current Liabilities

Accounts payable and accrued expenses for the years 2019 and 2018 amounted to ₱274.6 million and ₱286.3 million, respectively. Trade payables are noninterest bearing and have credit terms of 30 to 60 days. Accrued expense and other liabilities mainly include accruals for manufacturing and operating expenses, other taxes payable, advances from customers and provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered. *Accrued expenses – noncurrent portion* amounted to

₱123,438,803 which composed of management fee, reserve for contingency BIR and accrued interest – Unimak.

The net decrease for year 2019 by ₱11.7 million or 4.09% is attributable to decrease in trade payables ₱12.7 million and increase in accrued expenses ₱1.2 million.

In 2017, the Parent Company reversed accruals made which pertains to director's fee and share in operating expenses amounting to ₱8,390,000 for which assessment disclosed remote probability of settlement. As a result, an adjustment to the prior year's operation was made, which pertains to the restatement of the expense relative to the liability recognized. See Noted to Consolidated Financial Statements for full disclosure

During 2018, the Parent Company reclassified to non-current portion the accruals made which pertains to management fee, reserve for contingency BIR and accrued interest-Unimark amounting to ₱39,685,406, ₱83,753,397 and ₱52,876,888, respectively. These are not expected to be settled within one year or the company's operating cycle, whichever is longer.

Lease Liability relates to liability recognized in relation to the adoption of PFRS 16. As of December 31, 2019, the Company's determined incremental rate used is 5%. No lease liability was recognized in 2018. As of December 31, 2019, current lease liability amounted to ₱25.5 million and the noncurrent portion amounted to ₱49.6 million.

Due to related parties for the years 2019 and 2018 amounted to ₱59.2 million and ₱59 million, respectively. The Group, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayment period. The Group did not provide nor received any guarantee on its transaction with related parties.

Accrued retirement benefit cost amounted to ₱7.8 million and ₱6.3 million as of December 31, 2019 and 2018. MAHEC and MCLSI has unfunded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date. There is no provision for retirement benefit for 2019 as the management determined that current accrual is sufficient enough to cover retirement benefits of remaining employees. The Group expects no contributions are to be made yet in the future years out of the defined benefit plan obligation.

Key Performance Indicators

Metro Alliance and its majority-owned subsidiaries key performance indicators follow:

Metro Alliance

1. Net income
2. Earnings per share – net income attributable to each share of common stock
(net income / weighted number of shares outstanding)
3. Return on average equity – ability to generate returns on investment of stockholders.
(net income / average equity)
4. Debt to total asset ratio – the proportion to total assets financed by creditors.
(total debt / total assets)
5. Debt to Equity ratio – an indicator of which group has the greater representation in the assets of the company (total debt / equity)

Metro Alliance (Parent Company) registered a net loss of ₱4.1 million in 2019 as against net loss of ₱6.7 million in 2018 and net income of ₱5.7 million in 2017, respectively. Decrease in Net loss in 2019 as compared in 2018 is mainly attributable to the decrease in unrealized loss on FVOCI in a publicly-listed company whose fair value is based on published prices on Philippines Stock Exchange.

Comparative analysis of Metro Alliance's key performance indicators follows:

Performance indicator	December 31		
	2018	2017	2016
Earnings (loss) per share (in Php)	(0.01)	0.01	(0.01)

Return (loss) on average equity	(0.01)	(0.01)	(0.02)
Debt to total assets ratio	0.45	0.44	0.50
Debt to equity ratio	0.81	0.79	1.01

MCLSI

3. Profitability

- Gross profit margin – measures the profitability of revenues (services) in relation to the cost of services. (gross profit / revenues)
- Net profit margin – ability to generate surplus for stockholders. (net income / sales)
- Return on assets – ability to generate returns from assets. (net income / assets)
- Return on equity – ability to generate returns on investment of stockholders. (net income / stockholders equity)

4. Liquidity ratios

- Current ratio – capacity to meet current obligations out of its liquid assets. (current assets / current liabilities)
- Receivables turnover and days' sales in receivables – measures the ability to collect receivables. (net credit sales / average trade receivables) (365 days / receivables turnover)

MCLSI's profitability is more favorable in 2018 as compared to 2017 and 2016. This is mainly due to the increase in the Company's revenue. The favorable profitability is attributable to rental fees and adhoc and reimbursable charges for the year.

Comparative analysis of MCLSI's key performance indicators follows:

Performance indicator	December 31		
	2018	2017	2016
<u>Profitability</u>			
a. Gross profit margin	0.144	0.209	0.217
b. Net profit margin	0.035	0.073	0.071
c. Return on assets	0.059	0.118	0.100
d. Return in equity	0.145	0.280	0.302
<u>Liquidity</u>			
a. Current ratio	1.583	1.635	1.394
b. Receivables turnover	3.336	3.006	2.863
c. Days' sales in receivables	109	121	127

CPDSI, FEZ-EAC, ZDI and AHI

Currently, CPDSI, FEZ-EAC, ZDI and AHI have no performance indicators because these are non-operating companies as mentioned above.

Financial Highlights

The following companies are included in Metro Alliance consolidated financial statement: MCLSI, CPDSI, FEZ-EAC, ZDI and AHI.

The table below shows the consolidated financial highlights of Metro Alliance for the years ended December 31, 2018, 2017 and 2016:

Balance Sheet	As of December 31 (In Php'000)		
	2018	2017	2016
Current assets	₱197,416	₱168,259	₱156,957
Noncurrent assets	407,742	411,703	436,189
Total Assets	605,158	579,962	593,146
Current liabilities	345,252	324,057	489,803
Noncurrent liabilities	129,713	128,356	6,171
Total Liabilities	474,965	452,413	495,974
Stockholder's Equity	130,193	127,549	97,172
Total Liabilities and Stockholder's Equity	₱605,158	₱579,962	₱593,146

Income Statement	As of December 31 (In Php'000)		
	2018	2017	2016
Sales and services	₱286,713	₱224,221	₱180,131
Cost of sales and services	(245,352)	(177,450)	(141,009)
Gross profit	41,361	46,771	39,122
Other expenses – net	(29,126)	(27,637)	(29,262)
Net income before tax	12,235	19,134	9,860
Income tax – Current	(5,651)	(8,031)	(7,481)
Deferred	804	(530)	3,403
Net income (loss) after tax	7,388	10,573	5,782
Net income (loss) attributable to:			
Equity Holders of the Parent Company	2,472	3,539	1,289
Non-controlling interest	4,916	7,034	4,493
	7,388	10,573	5,782
Earnings (Loss) Per Share Attributable to holders of Parent Company	₱0.008	₱0.012	₱0.004

The Group will commence to explore business opportunities. As of report date, biggest contributor to the Group's revenue is its logistic arm, MCLSI when it steadily growing for the past several years after. The Group will reorganize its operations; evaluate its remaining assets; review all pending legal cases; and settle and resolve its outstanding issues with other regulatory government bodies. The Group will focus on traditionally stable industries or sunrise sectors in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

Calendar Year Ended December 31, 2018 vs. Calendar Year Ended December 31, 2017

CHANGES IN OPERATING RESULTS

Net Income and Earnings (Loss) Per Share

The Group registered a consolidated net income of ₱7.4 million in 2018 as against net income of ₱10.6 million in 2017 and ₱5.8 million in 2016, resulting a decrease in net income by ₱3.2 million or 30.19% as compared to last year's. Earnings (loss) per share for 2018, 2017 and 2016 for equity holders of the Parent Company are ₱0.008, ₱0.012 and ₱0.004, respectively. The decrease in net income was mainly due to the increase of expense such as salaries and wages, transport expenses, rentals, utilities and others. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group.

Sales and Services

The Group registered gross service revenue of ₱286.7 million, ₱224.2 million and ₱180.1 million for the years ended December 31, 2018, 2017 and 2016. The increase in revenue of ₱62.5 million or 27.88% in 2018 is due to additional businesses from MCLSI's existing principal resulting to new service contracts on its logistics and warehousing operations and clients of its new subsidiary.

Cost of Sales and Services

Total cost of sales and services for the years 2018, 2017 and 2016 amounted to ₱245.4 million, ₱177.5 million, ₱141 million, respectively. The increase of ₱67.9 million or 38.25% is mainly attributable to increase in personnel costs of ₱24.15 or 38.45%, transport expense of ₱24.5 million, increase in rent and utilities of ₱28.9 million or 70.98%.

Other Income (Expenses) - Net

Other income (expenses) is composed of administrative expenses, interest income, dividend income, interest expense and other income not normally earned from the ordinary course of business. Other income (expenses) for the years 2018, 2017 and 2016 amounted to ₱29.1 million, ₱27.6 million, and ₱29.3 million, respectively. Resulting in an increase of ₱1.5 million or 5.43%. The increase is a net effect of increase in administrative expenses of ₱1.8 million or 6.44%, increase in other income of ₱0.31 million or 1.21%

CHANGES IN FINANCIAL CONDITION

As discussed in Note 3 to the Consolidated Financial Statements, the following companies are included in Metro Alliance consolidated financial statement: MCLSI, CPDSI, FEZ-EAC, ZDI and AHI. A subsidiary is

an entity in which the Company has control. Subsidiaries are consolidated from the date on which control is transferred out of the Company.

Mabuhay Vinyl Corporation (MVC) was 42.69% owned by MAHEC as of December 31, 2006. In 2007, the Company sold its 37.69% interest in MVC, retaining 5% which was reclassified to AFS investments and ceased to be a subsidiary as of December 31, 2007. The remaining 5% was subsequently sold in 2012.

Polymax is the Group's special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPCA which resulted in a 2006 disputed sale of Polymax's 60% interest in NPCA to NPC International Limited (NPCI) and Petrochemical Industries Investment Company (PIIC). Subsequently on August 27, 2013 the Company and Polymax entered into a settlement agreement with NPCI, PII and NPC to resolve the dispute. On the basis of the settlement agreement, the previously issued 2006 consolidated financial statements of the Company and its subsidiaries were restated to reflect the sale of Polymax's 60% interest in the petrochemical plant.

The remaining 20% of Polymax's interest which is valued at ₱368.8 million, which is estimated recoverable amount from the sale of investment. The realization of the Company's advances to Polymax (an unconsolidated special purpose entity in 2007) and the settlement Polymax's past due liabilities for which the Company is jointly and severally liable, depends on whether sufficient cash flows can be generated from Polymax's 20% interest in NPCA, which is for sale, and from a letter of comfort issued by the Wellex Group of Companies in favor of the Parent Company. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. As explained in the notes to financial statements, management's plan is to infuse additional capital to address the going concern uncertainty.

Assets

Cash and cash equivalents for the years 2018 and 2017 amounted to ₱43.2 million and ₱36.5 million, respectively. Increased by ₱6.7 million or 18.36% in 2017 is net effect of net cash received from operating activities amounting ₱8.6 million, net cash from investing activities of ₱1.7 million and net cash provided for financing activities of ₱0.3 million.

Receivables amounted to ₱132.1 million in 2018 and ₱116.8 million in 2017 (net of allowance for doubtful accounts of ₱148.1 million and ₱146.6 million as of December 31, 2018 and 2017, respectively). Net trade and other receivables increased by ₱16.9 million or 14.80%. Other receivables pertain to advances subject for liquidation. The Group reviews the carrying amount of receivables at each balance sheet date to reduce the balance to their estimated recoverable amounts.

The Group has applied PFRS 9 for the first time from January 1, 2018 and resulted in changes in accounting policies which will be discussed in the attached Notes. The credit quality and aging of trade and other receivables are also fully disclosed in the Notes to Consolidated Financial Statements.

Other current assets amounted to ₱22.39 million in 2018 and ₱14.9 million in 2017 (net of allowance for probable losses of ₱12.9 million for both years 2018 and 2017). In 2018, the increase by ₱7.49 million is net effect of decrease in creditable withholding taxes ₱3.4 million, increase in input taxes ₱0.1 million, increase in refundable deposits ₱1.1 million and increase in other prepayments ₱9.8 million. The Group reviews the carrying amount at each balance sheet to reduce the balance to their estimated recoverable amounts.

Asset held for sale amounting to ₱368.8 million and ₱371.4 million for years ended December 31, 2018 and 2017 (which constitute 89% and 88% of the Group's total assets as of December 31, 2018 and 2017, respectively) represents advances to Polymax, the Group's special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPC Alliance Corporation (NPCA).

During 2014, 20% of the 40% remaining interest of Polymax in NPCA was sold. To reiterate assurance of the collectability of the Parent Company's advances to Polymax, a comfort letter dated April 10, 2015 was issued by the major stockholders of the Parent Company.

On December 16 and 22, 2015, the Company was able to collect advances from Polymax amounted to ₱300 million and ₱73 million, respectively.

The Company made additional collections of the advances from Polymax amounting to ₱2,551,564 and ₱44,038,948 in 2018 and 2017, respectively.

Equity instruments at Fair Value through Other Comprehensive Income (FVOCI) amounted to ₱22.6 million in 2018 and ₱26.7 million in 2017. This account includes shares of stocks owned in publicly-listed company and non-listed entity. The fair value of these shares has been determined directly by reference to published prices in the active market. Accumulated net unrealized gain amounted to ₱6.4 million and ₱10.4 million as of December 31, 2018 and 2017, respectively.

The Group has applied PFRS 9 for the first time from January 1, 2018 and resulted in changes in accounting policies which will be discussed in the attached Notes. The credit quality and aging of trade and other receivables are also fully disclosed in the Notes to Consolidated Financial Statements.

Property, plant and equipment-net amounted to ₱6.7 million in 2018 and ₱4.4 million in 2017. Net increase in property, plant and equipment in 2018 by ₱2.3 million pertains to net effect to depreciation charge for the year amounting to ₱2.2 million and acquisition of assets amounting to ₱4.5 million.

The Group has no outstanding contractual commitments to acquire certain property and equipment as of December 31, 2018 and 2017. In 2018 and 2017, the Group carried out a review of the recoverable amounts of its property and equipment. The Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

Other non-current assets for the years 2018 and 2017 amounted to ₱4.9 million and ₱4.7 million, respectively. This account consists of intangible asset pertaining to non-exclusive software license cost for use in MCSLI's warehouse management system and non-current portion of refundable deposits.

Liabilities

Current Liabilities

Accounts payable and accrued expenses for the years 2018 and 2017 amounted to ₱286.3 million and ₱264.8 million, respectively. Trade payables are noninterest bearing and have credit terms of 30 to 60 days. Accrued expense and other liabilities mainly include accruals for manufacturing and operating expenses, other taxes payable, advances from customers and provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered.

The net increase for year 2018 by ₱21.5 million or 8.12% is attributable to increase in trade payables ₱18.4 million, payment of other current liabilities ₱1.4 million & increase in accrued expenses ₱1.7 million.

In 2017, the Parent Company reversed accruals made which pertains to director's fee and share in operating expenses amounting to ₱8,390,000 for which assessment disclosed remote probability of settlement. As a result, an adjustment to the prior year's operation was made, which pertains to the restatement of the expense relative to the liability recognized. See Noted to Consolidated Financial Statements for full disclosure

During 2018, the Parent Company reclassified to non-current portion the accruals made which pertains to management fee, reserve for contingency BIR and accrued interest-Unimark amounting to ₱39,685,406, ₱83,753,397 and ₱52,876,888, respectively. These are not expected to be settled within one year or the company's operating cycle, whichever is longer.

Due to related parties for the years 2018 and 2017 amounted to ₱59 million and ₱59.2 million, respectively. The Group, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayment period. The Group did not provide nor received any guarantee on its transaction with related parties.

The Group has applied PFRS 9 for the first time from January 1, 2018 and resulted in changes in accounting policies which will be discussed in the attached Notes. The credit quality and aging of trade and other receivables are also fully disclosed in the Notes to Consolidated Financial Statements.

Accrued retirement benefit cost amounted to ₱6.3 million and ₱4.7 million as of December 31, 2018 and 2017. MAHEC and MCLSI has unfunded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date. There is no provision for retirement benefit for 2018 as the management determined that current accrual is sufficient enough to cover retirement benefits of remaining employees. The Group expects no contributions are to be made yet in the future years out of the defined benefit plan obligation.

(i) Summary of Material Trends, Events and Uncertainties

The accompanying consolidated financial statements have been prepared assuming that Group Company will continue as a going concern. As of December 31, 2019 and 2018, the Group has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₱366.2 million and ₱368.8 million, respectively, relating to the acquisition of the petrochemical plant of Bataan Polyethylene Corporation (BPC) involving a series of acquisition transactions described in the next section below. On the other hand, Polymax (jointly and severally with the Parent Company) has past due liabilities, including interest and penalties, amounting to ₱994.7 million as of December 31, 2019 and 2018, respectively, which were obtained to partially finance the acquisition of the petrochemical plant, resulting from the transfer of past due loans as discussed in the next paragraph.

In 2007, the Parent Company unilaterally transferred to Polymax two significant past due liabilities totaling ₱866.7 million as of December 31, 2006 that were obtained (jointly and severally with Polymax) to partially finance the acquisition of the petrochemical plant, and applied these against the Parent Company's advances to Polymax, in order to reflect the economic substance of the acquisition and related loan transactions. The remaining 20% of Polymax's interest in the petrochemical plant is for sale. The realization of the Parent Company's advances to Polymax (an unconsolidated special purpose entity starting in 2007) and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, depend on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPC Alliance Corporation (NPCA) and from the letter of comfort issued by the Parent Company's major stockholders in favor of the Parent Company.

In 2019 and 2018, the Parent Company was able to collect partially the advances from Polymax amounting to ₱2,634,110 and ₱2,551,564, respectively.

The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. Management's plan is to infuse additional capital to address the going concern uncertainty.

(ii) Events that will Trigger Direct Contingent or Financial Obligation

There are no additional known events that will trigger direct or contingent financial obligation that is material to Metro Alliance, including the default of acceleration of an obligation.

(iii) Material Off-balance Sheet Transactions, Arrangements, Obligations

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of Metro Alliance with unconsolidated entities or other persons created during the reporting period. Completed transactions in connection with our investment in the petrochemical project were fully disclosed in the audited consolidated financial statements.

(iv) Commitment For Capital Expenditures

The Group has no commitment for capital expenditures.

(v) Any Known Trends, Events of Uncertainties (Impact On Net Sales / Net Income)

Since MCLSI is the only operating subsidiary among the Group, sales rely solely on MCLSI's results of operations.

Net Income and Earnings (Loss) Per Share

The Group registered a consolidated net income of ₱15.2 million in 2019 as against net income of ₱7.4 million in 2018 and ₱10.6 million in 2017, resulting an increase in net income by ₱7.8 million or 105.41% as compared to last year's. Earnings (loss) per share for 2019, 2018 and 2017 for equity holders of the

Parent Company are ₱0.021, ₱0.008 and ₱0.012, respectively. The increase in net income was mainly due to the increase of sales. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group.

The Group registered gross service revenue of ₱318.4 million, ₱286.7 million and ₱224.2 million for the years ended December 31, 2019, 2018 and 2017. The increase in revenue of ₱31.7 million or 11.06% in 2019 is due to additional businesses from MCLSI's existing principal resulting to new service contracts on its logistics and warehousing operations and clients of its new subsidiary.

(vi) Significant Element of Income or Loss That Did Not Arise From Continuing Operations.

There is no significant element of income or loss that did not arise from continuing operations.

(vii) Material Changes on Line Items in the Financial Statements

Material changes on line items in the financial statements are presented under the captions "Changes in Financial Condition" and "Changes in Operating Results" above.

The Group adopted PFRS 16 on the year 2019 which reported a Right-of-Use Asset and Lease Liability. See Consolidated Financial Statements Note 16 and 19.

(viii) Effect of Seasonal Changes in the Financial Condition or Results of Operations of the Corporation

The financial condition or results of operations is not affected by any seasonal change.

Undertaking

A copy of the Annual Report for the year ended December 31, 2019 or SEC Form 17-A will be made available in the Company Website.

A. Interim Period as of Quarter Ended June 30, 2020

The following table shows the consolidated financial highlights of the Group for the quarters ended June 30, 2020 and 2019 and December 31, 2019:

Key Performance Indicators

Metro Alliance and its majority-owned subsidiaries key performance indicators follow:

Metro Alliance

Metro Alliance's key performance indicators include the following:

1. Net income
2. Earnings per share – net income attributable to each share of common stock (net income / weighted number of shares outstanding)
3. Return on average equity – ability to generate returns on investment of stockholders. (net income / average equity)
4. Debt to total asset ratio – the proportion to total assets financed by creditors. (total debt / total assets)
5. Debt to Equity ratio – an indicator of which group has the greater representation in the assets of the company (total debt / equity)

The financial ratios of Metro Alliance are not stable due to its significant investment on the Petrochemical Project.

Metro Alliance (Parent Company) financial statements registered unaudited net loss of ₱1,302,584 for the 2nd quarter of 2020 as compared to the same quarter of 2019 with net loss amounting to ₱1,114,076 or an increase in net loss of ₱188,508 or 16.92%.

Comparative analysis of Metro Alliance's key performance indicators is as follows:

Performance indicator	Jun 30	
	2020	2019
Net Income / (Loss)	(₱1,302,584)	(₱1,114,076)

Income / (Loss) per share	(0.004)	(0.004)
Income / (Loss) on average equity	(0.009)	(0.005)
Debt to total assets	0.454	0.449
Debt to equity	0.830	0.814

MCLSI

MCLSI's key performance indicators include the following:

1. Profitability
 - a. Gross profit margin – measures the profitability of revenues (services) in relation to the cost of services (gross profit / revenues)
 - b. Net profit margin – ability to generate surplus for stockholders (net income / sales)
 - c. Return on assets – ability to generate returns from assets (net income / assets)
 - d. Return on equity – ability to generate returns on investment of stockholders (net income / stockholders equity)
2. Liquidity ratios
 - a. Current ratio – capacity to meet current obligations out of its liquid assets (current assets/current liabilities)
 - b. Receivables turnover and days' sales in receivables – measures the ability to collect receivables (net credit sales / average trade receivables) (365 days / receivables turnover)

The decrease in MCLSI's gross profit resulted mainly from the termination of some contracts. With the decrease in operating income, net profit margin, return on assets and return on equity decreased. Current ratio decreased due to the increase in accruals and other payables. In addition, turnover of receivables resulted to a slower collections compared to last year.

Comparative analysis of MCLSI's key performance indicators as follows:

Performance indicator	June 2020	June 2019	Dec 2019
<u>Profitability</u>			
a. Gross profit margin	0.151	0.198	0.183
b. Net profit margin	0.059	0.069	0.056
c. Return on assets	0.028	0.058	0.069
d. Return on equity	0.088	0.129	0.200
<u>Liquidity</u>			
a. Current ratio	1.657	1.669	1.861
b. Receivables turnover	0.665	1.679	3.114
c. Days' sales in receivables	548.79	217.44	123

Consumer Products Distribution Services, Inc. (CPDSI), FEZ-EAC Holdings, Inc.(FEZ-EAC), Zuellig Distributors, Inc. (ZDI) and Asia Healthcare, Inc. (AHI)

Currently, CPDSI, FEZ-EAC, ZDI and AHI have no performance indicators because these are non-operating companies.

Financial Highlights

Unaudited Income Statement

Income Statement	Amounts in Php			
	Apr. – Jun. 2020	Apr. – Jun. 2019	Jan. – Jun. 2020	Jan. – Jun. 2019
Sales and services	₱53,783,440	₱74,873,318	₱139,382,769	₱145,882,840
Cost of sales and services	(52,362,210)	(65,076,062)	(118,401,904)	(117,053,592)
Gross profit	1,421,230	9,797,256	20,980,865	28,829,248
Expenses	(7,052,030)	(8,062,832)	(15,084,315)	(15,809,834)
Other income	792,856	334,221	989,089	369,882
Net Income Before Tax	(4,837,944)	2,068,645	6,885,639	13,389,296
Income tax expense	-	(4,401,792)	-	(4,401,792)
Net income	(4,837,944)	(2,333,147)	6,885,639	8,987,504
Attributable to:				
Equity Holders of the Parent Company	(2,766,647)	(1,399,724)	2,864,564	4,028,768
Non-controlling interest	(2,071,297)	(933,423)	4,021,075	4,958,736

	(4,837,944)	(2,333,147)	6,885,639	8,987,504
Earnings Per Share – Equity Holders Of the Parent Company	(₱0.0090)	(₱0.0046)	₱0.0094	₱0.0132

□ Unaudited Balance Sheet

Balance Sheet	Amounts in Php		
	Jun. 30, 2020	Jun. 30, 2019	Dec. 31, 2019
Current assets	₱243,088,096	₱197,473,290	₱200,345,514
Noncurrent assets	481,364,672	410,489,286	482,880,770
Total Assets	724,452,768	607,962,576	683,226,284
Current liabilities	393,571,336	339,069,075	359,230,490
Noncurrent liabilities	180,832,937	129,712,528	180,832,937
Total Liabilities	574,404,273	468,781,603	540,063,427
Stockholder's Equity	150,048,495	139,180,973	143,162,857
Total Liabilities and Stockholder's Equity	₱724,452,768	₱607,962,576	₱683,226,284

CHANGES IN RESULTS OF OPERATION

Net Income and Earnings Per Share

The Group registered a consolidated net loss of ₱4.8 million for the 2nd quarter of 2020 as against net loss of ₱2.3 million for the 2nd quarter of 2019 or an increase of ₱2.5 million or 1.09% due to lower sales recorded and higher incurred expense for the quarter due to COVID19 pandemic. Loss per share attributable to equity holders of Parent Company are ₱0.009 for the 2nd quarter of 2020 and ₱0.005 for 2019. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group.

Sales and Services

The Group registered gross service revenue of ₱53.8 million and ₱74.9 million for the quarters ended June 30, 2020 and 2019, which decrease the revenue by ₱21.1 million or 28.17%.

Cost of Sales and Services

Total cost of sales and services for the quarters ended June 30, 2020 and 2019 amounted to ₱52.4 million and ₱65.1 million, respectively, with a decrease in cost of sales by ₱12.7 million or 19.51%.

Operating Expenses

Total operating expenses of the Group for the 2nd quarter of 2020 amounted to ₱7.1 million as compared to ₱8.1 million for the 2nd quarter of 2019 or a decrease of ₱1.0 million or 12.35%.

Other income

Other income for the quarters ended June 30, 2020 and 2019 amounted to ₱0.8 million and ₱0.3 million, respectively. The account pertains to interest income and other income not arising from ordinary course of business.

CHANGES IN FINANCIAL CONDITIONS

Assets

Cash and cash equivalents for the 2nd quarter of 2020 and 2019 amounted to ₱22.6 million and ₱52.0 million, respectively. Net cash flows used in operating activities is ₱12.6 million, net cash flows from investing activities is ₱2.5 million and net cash flows from financing activities is ₱0.3 million.

Receivables amounted to ₱197.3 million as of 2nd quarter of 2020 and ₱126.2 million as of 2nd quarter of 2019 (net of allowance for doubtful accounts). Movement in the accounts is net effect of (a) increase in trade receivable by ₱72.2 million and (b) decrease in other receivable by ₱0.2 million and (c) increase in allowance for doubtful accounts by ₱0.9 million.

Other current assets amounted to ₱23.2 million and ₱19.3 million as of the 2nd quarter of 2020 and 2019 (net of allowance for probable losses of ₱12.9 million). The increase by ₱3.9 million in 2nd quarter of 2020 as against the 2nd quarter of 2019 is net effect of increase in input taxes by ₱1.3 million and other prepayments by ₱2.7 million.

Asset held for sale amounting to ₱364.7 million and ₱367.4 million as of June 30, 2020 and 2019, respectively, which represents advances to Polymax, the Group's special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPC Alliance Corporation (NPCA).

Equity instruments at Fair Value through Other Comprehensive Income (FVOCI) amounted to ₱21.2 million and ₱22.6 million in June 30, 2020 and 2019, respectively. This account includes shares of stocks owned in publicly listed company and unquoted equity investment carried at cost. During the latter part of 2017, the Parent Company made an investment to a non-listed entity, whose primary activity is to engage in real estate development.

Investment in Debt Security

During 2019, the Company invested with Philippine Depository and Trust Corporation (PDTC) through Security Bank. The bond has a face value of 2,000,000 with an interest rate of 4.50% and will mature on June 28, 2021. Carrying amount of the bond investment on June 30, 2020 amounted to ₱2,038,632. Management considers the carrying amount recognized in the statements of financial position to be reasonable approximation of their fair values.

Property and equipment amounted to ₱80.6 million and ₱8.9 million in June 30, 2020 and 2019, respectively. Net increase in property, plant and equipment in 2019 by ₱74.9 million pertains mainly to the new reportable PFRS 16 item, the Right-Of Use Asset, with ₱106.3 million amount and depreciation expense of ₱32.8 million. The Group has no outstanding contractual commitments to acquire certain property and equipment as of June 30, 2020 and 2019, the Group carried out a review of the recoverable amounts of its property and equipment. The Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

Other non-current assets for the 2nd quarters 2020 and 2019 amounted to ₱7.4 million and ₱4.9 million, respectively. This account consists of intangible asset pertaining to non-exclusive software license cost for use in MCSLI's warehouse management system and non-current portion of refundable deposits.

Liabilities

The Accounts payable and accrued expenses – current portion for the quarter ended June 30, 2020 and 2019 amounted to ₱309.3 million and ₱280.8 million, respectively. Trade payables are noninterest bearing and have credit terms of 30 to 60 days. Accrued expense and other liabilities mainly include accruals for manufacturing and operating expenses, other taxes payable, advances from customers and provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered. *Accrued expenses – noncurrent portion* amounted to ₱123,438,803 which composed of management fee, reserve for contingency BIR and accrued interest – Unimark (Note 17).

Lease Liability relates to liability recognized in relation to the adoption of PFRS 16. As of June 30, 2020, the Company's determined incremental rate used is 5%. For the 2nd quarter 2020 and 2019, current lease liability amounted to ₱25.5 million and nil, respectively and as to the noncurrent portion amounted to ₱49.6 million and nil, respectively.

The *Due to related parties* for the 2nd quarter of 2020 and 2019 amounted to ₱58.9 million and ₱58.3 million, respectively. The Group, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayment period. The Group did not provide nor received any guarantee on its transaction with related parties.

Accrued retirement benefit cost amounted to ₱7.8 million and ₱6.3 million as of June 30, 2020 and 2019, respectively. MAHEC and MCLSI has unfunded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date. There is no provision for retirement benefit for 2019 as the management determined that current accrual is sufficient enough to cover retirement benefits of remaining employees. The Group expects no contributions are to be made yet in the future years out of the defined benefit plan obligation.

Summary of Material Trends, Events and Uncertainties

As of June 30, 2020 and 2019, the Group has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₱364.7 million and ₱367.4 million, respectively, relating to the acquisition of the petrochemical plant of Bataan Polyethylene Corporation (BPC) involving a series of acquisition transactions described in the next section below. On the other hand, Polymax (jointly and severally with the Parent Company) has past due liabilities, including interest and penalties, amounting to ₱994.7 million as of June 30 2020 and 2019, respectively, which were obtained to partially finance the acquisition of the petrochemical plant, resulting from the transfer of past due loans as discussed in the next paragraph.

In 2007, the Parent Company unilaterally transferred to Polymax two significant past due liabilities totaling ₱866.7 million as of December 31, 2006 that were obtained (jointly and severally with Polymax) to partially finance the acquisition of the petrochemical plant, and applied these against the Parent Company's advances to Polymax, in order to reflect the economic substance of the acquisition and related loan transactions. The remaining 20% of Polymax's interest in the petrochemical plant is for sale. The realization of the Parent Company's advances to Polymax (an unconsolidated special purpose entity starting in 2007) and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, depend on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPC Alliance Corporation (NPCA) and from the letter of comfort issued by the Parent Company's major stockholders in favor of the Parent Company.

The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. Management's plan is to infuse additional capital to address the going concern uncertainty.

Legal case

a. Metro Alliance vs. Commissioner of Internal Revenue

Assessment for deficiency withholding taxes for the year 1989, 1990 and 1991

On July 5, 2002, the Group received a decision from the Court of Tax Appeals (CTA) denying the Group's Petition for Review and ordering the payment of ₱83.8 million for withholding tax assessments for the taxable years 1989 to 1991. The Group filed a Motion for Reconsideration on July 31, 2002 but this was subsequently denied by the CTA. A Petition for Review was filed with the CTA on November 8, 2002, which was also denied by the CTA. The Group then appealed the decision of the CTA to the Court of Appeals (CA), which likewise denied the appeal and upheld the assessment against the Group. The Group, through its legal counsel, filed a Motion for Reconsideration with the CA in December 2003.

On July 9, 2004, the Group received the CA resolution denying the Motion for Reconsideration. On July 22, 2004, the Group filed with the CA a Motion for Extension of time to file an appeal to the Supreme Court (SC). On August 20, 2004, the Group filed said appeal. On October 20, 2004, the Group received the resolution of the SC denying its Petition for Review for lack of reversible error. The Group filed a Motion for Reconsideration. On January 10, 2005, the SC issued an Order stating that it found no ground to sustain the Group's appeal and dismissed the Group's petition with finality.

On April 26, 2006, the Group filed a Petition for Review before the CTA en banc. On March 7, 2007, the CTA en banc dismissed the Petition for lack of merit. The CTA en banc affirmed the CTA's decision granting the Motion for Issuance of Writ of Execution filed by the Commissioner of Internal Revenue.

As of August 31, 2020, the Group has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable. Management believes, however, that the ultimate outcome of the case will not have a material effect on the Group consolidated financial statements.

b. Metro Alliance and Philippine Estate Corporation vs. Philippine Trust Group, et al., Civil Case SCA#TG- 05-2519, RTC Tagaytay City Branch 18

Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sales plus Damages

On September 14, 2005, the Group (MAHEC) and Philippine Estate Corporation (PHES) filed a Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, and Annulment in Decrease in Interest rates, Service Charge, Penalties and Notice of Sheriffs Sale, plus Damages with prayer for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction. The case stemmed from imminent extra-judicial foreclosure of four (4) mortgaged Tagaytay lots covered by Transfer Certificate of Title (TCT) Nos. T-355222, T-35523, T-35524 and T-35552 subject to the Real Estate Mortgage executed by MAHEC and PHES securing ₱280 million loan last December 2003.

On October 6, 2005, the Regional Trial Court (RTC) of Tagaytay City issued and granted the Writ of Preliminary Injunction (first injunction). The preliminary injunction issued by the RTC stopping the foreclosure was nullified by both Court of Appeals and Supreme Court, after which Philtrust proceeded to foreclose, and acquired those properties for only ₱165.8 million. When MAHEC and PHES failed to redeem, Philtrust consolidated title and Tagaytay registry issued new TCTs cancelling PHES' TCT. On October 10, 2011, MAHEC filed Notice *Lis Pendens* vs. four (4) new TCTs of Philtrust.

The case is now back to Tagaytay RTC for trial hearings under new acting Judge Jaime Santiago. MAHEC and PHES already presented witnesses. Next trial hearing was set on April 12, 2016 for presentation of plaintiff's last witness for explanation of why the checks issued in 2004 in favor of Philtrust Bank intended to settle the loan were all dishonored and were returned unpaid.

The Group was able to get the formal trial started and on-going. The Group's most important move was the presentation of a very competent real estate appraiser, realtor, Cesar Santos, who was able to successfully defend in court his ₱811.6 million valuation of the foreclosed Tagaytay properties. Trial hearings are on-going and it is now defendant Bank's turn to adduce evidence. Plaintiffs have closed their evidence presentation wherein all offered evidences were admitted, over the objections of defendant Bank. At the last hearing held on December 6, 2016, defendant Bank's star witness was subjected to Plaintiff's cross examination wherein they obtained many damaging admissions against the Bank. Plaintiff's counsels' cross-examination resumed at trial hearing last April 25, 2017.

Damages sought are ₱1,000,000 as and by way of exemplary damages and ₱500,000 as and by way of attorney's fees; litigation expenses and cost of suit.

On February 21, 2019, the defense presented its second witness, Mr. Godofredo Gonzales, an appraiser of Philippine Trust Group. However, the cross-examination of the witness was reset to June 27, 2019.

On October 17, 2019, Philtrust submitted a Formal Offer of Evidence in Regional Trial Court.

As of August 31, 2020, the Parent Company has not received any order of execution relative to this case.

- c. MAHEC, POLYMAX & WELLEX vs. Phil. Veterans Bank., et al., Civil Case #08-555, RTC Makati Branch 145 now SC GR 2405495 and 240513
Civil Action with Damages to Nullify the Foreclosure of Property

The case is an injunction suit with damages filed on July 23, 2008 in RTC-Makati to nullify the foreclosure of Pasig lot securing a ₱350 million loan obtained by MAHEC, Polymax and Wellex. Initially, Temporary Restraining Order (TRO) and preliminary injunction was issued, but afterwards, it was lifted, enabling Philippine Veterans Bank (PVB) to foreclose. In successive certiorari cases that plaintiffs filed, both Court of Appeals (CA) and Supreme Court (SC) upheld PVB. Worse yet, due to major lapse of the plaintiff's original counsels, *lis pendens* on foreclosed Pasig lot was cancelled, and in March 2012, PVB sold the lots to Zen Sen Realty Development Corporation who got new Transfer Certificate of Title (TCT). The above case was consolidated with other case of affiliated Group with the same RTC. In 2013, Group's legal counsel brought Zen Sen Realty Development Corporation. as defendant also, and prayed that the PVB sale to it be nullified. In October 2014, Group's legal counsel dropped Zen Sen Realty as an unnecessary defendant, after which DECISION was rendered vs. PVB on January 9, 2015, declaring the ₱550M loan (total loan of MAHEC, Polymax, Wellex and other affiliated companies) as fully paid, and even over-paid; discharging all the mortgages, and voiding the 2012 sale made to Zen Sen. PVB was ordered to refund to plaintiffs the ₱3.25 million overpayment. PVB filed a motion for reconsideration which was denied. PVB filed Notice of Appeal to Court of Appeal on May 8, 2015, which the Group's legal counsel questioned as defective, but the RTC ruled against the Group in its May 12, 2015 Order. The consolidated case is now on appeal in the Court of Appeals as CA-GR CV #105323. Appellant-defendant Bank filed last December 2016 its Appellant's

Brief. The Group's legal counsel is given 45 days to file their Brief and eventually requested for another 30 day extension to finish and file said Appellees' Brief.

Upon appeal thereof by both parties, the Court of Appeals rendered its Decision dated June 29, 2017, partly granting PVB's appeal, and declared that: (a) the legal interest of 12% per annum be applied to the principal amounts; and (b) that MAHEC, et al. remain liable to pay PVB the amount of ₱69.7 million as of November 2006. MAHEC, et al. filed their "Motion for Reconsideration" dated July 31, 2017. The Court of Appeals rendered its Amended Decision dated February 28, 2018, stating that the outstanding obligation of MAHEC, at al., if any, shall earn interest at 6% per annum from July 1, 2013 onwards, pursuant to Central Bank Circular No. 799. The Court of Appeals denied PVB's Motion for Reconsideration thereof in its Resolution dated July 2, 2018.

On August 24, 2018, MAHEC, et.al filed with the Supreme Court its "Petition for Review on Certiorari" dated August 22, 2018. This was consolidated with PVB's "Petition for Review" dated August 24, 2018, which was previously raffled to the Supreme Court's Third Division.

In G.R. No. 240495, Group received a copy of PVB's 'Comment/Opposition' dated October 30, 2019. On December 4, 2019, MAHEC, et al. filed "Motion to Admit Reply" with attached Reply, both dated November 28, 2019.

In G.R. No. 240513, MAHEC, et al. already "Comment (On the Petition for Review dated August 24, 2018)" dated August 31, 2019. To date, however, MAHEC, et al. have not yet received a copy of PVB's reply.

d. MAHEC, POLYMAX, Renato B. Magadia (Metro Group/plaintiffs) vs NPC International Limited, et al. (NPC Group/defendants) Civil Case No. R-PSG 19-02106, RTC Pasig City Branch 159
Corporate Mismanagement and Damages with Application for Temporary Restraining Order and Injunction

On August 1, 2019, the Company filed a case for Mismanagement and Damages. This case stemmed from the gross mismanagement and gross negligence attributable to the NPC Group, in conspiracy with its appointed NPCA directors and management officers.

A joint venture was entered into by Metro Group and NPC Group, sometime in 2003 for the acquisition of the petrochemical plant. However, the joint venture did not make any money from its inception and during all of the 14 years of operation. NPCA, the joint venture company, did not record any net income from the time it was incorporated in 2005 until the present time, notwithstanding the supposed advantage of the parent and affiliates of the NPC Group having ready source of raw materials. The unexplained continuing inaction and nonchalance of the NPCA Management in the face of the mounting losses coupled with the unfettered control of the NPC Group on the operations of the Plant points to gross mismanagement amounting to criminal or reckless imprudence, or at the very least, civil negligence.

On August 13, 2019, the application for the issuance of a Temporary Restraining Order (TRO) filed by the Metro Group against the NPC Group was set for hearing. In support of their application, Metro Group presented its lone witness Mr. Renato Magadia.

On September 18, 2019, the plaintiffs filed an Urgent Omnibus Motion for Production of Documents and Request to Reset Preliminary Injunction Hearing. Thus, the preliminary injunction hearing set on September 26 was cancelled and reset to November 14, 2019. The defendants filed a Motion to Refer Dispute to Arbitration on October 15, 2019 due to the Stockholder's Agreement dated December 16, 2005. On the other hand, plaintiff's comment stated that the Settlement Agreement dated August 27, 2013 superseded the previous Stockholder's Agreement.

In November 11, 2019, Elma M. Rafallo-Lingan, the presiding judge, denied the Motion for Production/ Copying Documents and directed the defendant NPCA to furnish Annual Audited Financial Statements for the last ten years within 10 days from the date of said order.

Further, the defendants filed a Motion *Ad Cautelam* to drop Renato B. Magadia as Plaintiff. Renato B. Magadia, one of the plaintiffs in this case, died on October 18, 2019. Mr. Magadia joined in the action under pretext that he is a stockholder of NPCAC.

In February 3, 2020, Elma M. Rafallo-Lingan, Presiding Judge, ordered the Motion for Referral for Arbitration as denied. Meanwhile, the Motion *Ad Cautelam* to drop Renato B. Magadia as Plaintiff was granted.

The Company received notice from the Permanent Court of Arbitration at the Hague that arbitration proceedings in Geneva, Switzerland have been instituted by NPC International Limited versus the Company et al. This counter suit prays for payment by the respondent of costs and damages that the claimant has incurred for the preservation of the Bataan polyethylene plant from 2018 to the date of the award. The Company filed its reply on September 16, 2020, questioning the propriety of the arbitration proceedings. The Company maintains that RTC Pasig Branch 159 has taken jurisdiction over the case and that the arbitration case filed at the Hague constitutes forum shopping.

- e. There are also other pending minor legal cases against the Group. Based on the facts of these cases, management believes that its positions have legal merits and the resolution thereof will not materially affect the Group's financial position and result of operations.

Events that will Trigger Direct Contingent or Financial Obligation

There are no additional known events that will trigger direct or contingent financial obligation that is material to Metro Alliance, including the default of acceleration of an obligation during the reporting period.

Material Off-balance Sheet Transactions, Arrangements, Obligations

There are no off-balance sheet transactions, arrangements, obligations, and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period.

Commitment For Capital Expenditures

The Group has no commitment for capital expenditures.

Any Known Trends, Events of Uncertainties (Impact On Net Sales / Net Income)

Since MCLSI is the only operating subsidiary among the Group, sales rely solely on MCLSI's results of operations.

Significant Element of Income or Loss That Did Not Arise From Continuing Operations

There is no significant element of income or loss that did not arise from continuing operations.

Material Changes on Line Items in the Financial Statements

Material changes on line items in the financial statements are presented under the captions "Changes in Financial Condition" and "Changes in Operating Results" above.

Effect of Seasonal Changes in the Financial Condition or Results of Operations of the Corporation

The financial condition or results of operations is not affected by any seasonal change.

Undertaking

A copy of the Second Quarter Report for the period ended June 30, 2020 or SEC Form 17-Q will be made available in the Company website

Information on Independent Accountant and other Related Matters

External Audit Fees and Services

- (a) Audit and related fees for Metro Alliance are ₱406,560 for the year 2019, ₱406,560 for the year 2018, ₱406,560 for the year 2016 for expressing an opinion on the financial statements and assistance in preparing the annual income tax return. In addition, to bring to the attention of management, any deficiencies in internal control and detected misstatements and fraudulent or illegal acts.
- (b) Tax fees - there were no tax fees paid for the years 2019, 2018 and 2017.
- (c) Other fees – there were no other fees paid for the years 2019, 2018 and 2017.
- (d) Audit committee's approval policies and procedures for the above services – the committee will evaluate the proposals from known external audit firms. The review will focus on quality of service, commitment to deadline and fees as a whole, and no one factor should necessarily be determinable.

Changes in and disagreements with Accountants on Accounting and Financial Disclosure

No independent accountant who was previously engaged as the principal accountant to audit Metro Alliance financial statements, or an independent accountant on whom the principal accountant expressed reliance in its report regarding a significant subsidiary, has resigned (or indicated it has declined to stand for re-election after the completion of the current audit) or was dismissed in the two most recent fiscal years or any subsequent interim period. Furthermore, there was no disagreement with the former accountant on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure.

DIRECTORS AND EXECUTIVE OFFICERS

Please refer to Item 5, Directors and Executive Officers, of the SEC Form 20-IS.

MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER

Market Information

The principal market of Metro Alliance Holdings & Equities Corp.'s common equity is the Philippine Stock Exchange (PSE) where it was listed 1947. The high and low sales prices by quarter for the last three (3) years are as follows:

		Class A		Class B	
		High	Low	High	Low
2020	First Quarter	3.30	0.95	2.88	1.68
	Second Quarter	1.69	1.02	1.69	1.02
2019	First Quarter	2.88	1.68	2.88	1.68
	Second Quarter	1.94	1.44	1.94	1.44
	Third Quarter	1.69	1.02	1.69	1.02
	Fourth Quarter	1.15	0.98	1.15	0.98
2018	First Quarter	-	-	-	-
	Second Quarter	5.50	1.51	5.50	1.51
	Third Quarter	2.78	1.36	2.78	1.36
	Fourth Quarter	2.46	0.92	2.46	0.92
2017	Third Quarter	-	-	-	-
	Fourth Quarter	-	-	-	-

The high, low and close market prices of Class "A" and Class "B" were ₱1.84, ₱1.74, ₱1.75 as of September 21, 2020.

Holders

There are 306,122,449 shares outstanding: 183,673,470 shares are Class "A" and 122,448,979 shares are Class "B". As of August 31, 2020, there are 611 holders of Class "A" shares and 391 holders of Class "B" shares.

List of Top 20 Stockholders As of August 31, 2020

	Stockholder's Name	Number of Shares		Percentage to Total (%)
		Class A	Class B	
1	PCD NOMINEE CORPORATION (FILIPINO)	43,067,501	30,598,833	24.064
2	CRESTON GLOBAL LIMITED		56,378,388	18.417
3	CHESA HOLDINGS INC.	40,500,000		13.230
4	PACIFIC WIDE REALTY & DEVELOPMENT CORP.	31,498,000		10.289
5	FORUM HOLDINGS CORPORATION	14,442,356	13,432,644	9.106
6	PACIFIC CONCORDE CORPORATION	6,329,500	9,503,908	5.172
7	REXLON REALTY GROUP, INC.	12,200,000	2,673,112	4.859
8	CHARTERED COMMODITIES CORP.	11,296,000		3.690
9	MIZPAH HOLDINGS, INC.	10,128,700		3.309
10	WILLIAM GATCHALIAN	2,091,000	1,481,500	1.167
11	PACIFIC REHOUSE CORP.	1,258,000	1,670,000	0.956
12	FORUM HOLDINGS CORPORATION	1,934,500		0.632
13	PCD NOMINEE CORPORATION (NON-FILIPINO)		1,594,911	0.521

14	TIN FU OR TRAJANO		820,000	0.268
15	CTBC TA# 5-C184: ZUELLIG CORP.	684,829		0.224
16	VICTOR GAN SY	400,000	200,000	0.196
17	W. DUMERMUTH		472,600	0.154
18	VICTOR G. SY	178,000	290,000	0.153
19	AB CAPITAL & INVESTMENT CORPORATION	162,000	268,000	0.140
20	MARY ANGUS BROWN		309,910	0.101

Dividends

No dividends were declared in the last two fiscal years and in the interim period.

Restriction that limits the payment of Dividends on Common Shares

There are no restrictions that limit the ability to pay dividends.

Sales of unregistered or exempt securities

There are no recent sales of unregistered or exempt securities.

COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

Metro Alliance's Compliance Officer is mandated to monitor the compliance of all concerned to the provisions and requirements of the Manual on Corporate Governance, and to facilitate the monitoring, the Compliance Officer has established the "Corporate Governance Monitoring and Assessment" to measure or determine the level of compliance of the Corporation with the Amended Manual on Corporate Governance (Manual).

Metro Alliance believes that its Amended Manual on Corporate Governance is in line with the leading practices and principles on good governance, and as such, is in full compliance.

There were minor deviations from the Corporation's Manual during the period January to December 2019 due mainly to recent changes and business development plans.

Metro Alliance will improve its Amended Manual on Corporate Governance when appropriate and warranted, in the Board of Directors' best judgment. In addition, it will be improved when a regulatory agency such as the SEC requires the inclusion of a specific provision.

Metro Alliance filed its Integrated Annual Corporate Governance Report last August 12, 2020 covering the year 2019.

* * *

***METRO ALLIANCE HOLDINGS & EQUITIES CORP.
AND SUBSIDIARIES***

**Consolidated Financial Statements
December 31, 2019 and 2018**

Independent Auditor's Report

and

**Audit Report on Additional Components
of the Financial Statements**

Cherry A. Alfafara

From: Lita Elegio <lita.e@metroalliance.com>
Sent: Wednesday, September 23, 2020 7:53 AM
To: caalfafara@wellex.com.ph
Subject: FW: Metro Alliance Holdings & Equities Corp._SEC Form 17-A Part1_30June2020

From: MSRD COVID19 [mailto:msrd_covid19@sec.gov.ph]
Sent: Wednesday, July 01, 2020 10:33 PM
To: Lita Elegio <lita.e@metroalliance.com>
Cc: ICTD Submission <ictdsubmission@sec.gov.ph>; CGFD Account <cgfd@sec.gov.ph>; Maria Theresa S. Posadas <mtsposadas@sec.gov.ph>; CATHERINE E. GALIZA <cegaliza@sec.gov.ph>
Subject: Re: Metro Alliance Holdings & Equities Corp._SEC Form 17-A Part1_30June2020

Dear Sir/Madam,

Acknowledging receipt of your email with attachments.

Thank you.

Regards,

MARKETS AND SECURITIES REGULATION DEPARTMENT
PHILIPPINE SECURITIES AND EXCHANGE COMMISSION

On Tue, Jun 30, 2020 at 2:42 PM Lita Elegio <lita.e@metroalliance.com> wrote:

Hi SEC,

Please see attached SEC Form 17A (part1) of METRO ALLIANCE HOLDINGS & EQUITIES CORP. together with the Certification for the submission of Annual Report through electronic email.

Thank you!

Regards,

METRO ALLIANCE HOLDINGS & EQUITIES CORP.

Cherry A. Alfafara

From: Lita Elegio <lita.e@metroalliance.com>
Sent: Wednesday, September 23, 2020 7:53 AM
To: caalfafara@wellex.com.ph
Subject: FW: Metro Alliance Holdings & Equities Corp._SEC Form 17-A Part2 & 3_30June2020

From: MSRD COVID19 [mailto:msrd_covid19@sec.gov.ph]
Sent: Wednesday, July 01, 2020 10:34 PM
To: Lita Elegio <lita.e@metroalliance.com>
Cc: ICTD Submission <ictdsubmission@sec.gov.ph>; CGFD Account <cgfd@sec.gov.ph>; CATHERINE E. GALIZA <cegaliza@sec.gov.ph>; Maria Theresa S. Posadas <mtsposadas@sec.gov.ph>
Subject: Re: Metro Alliance Holdings & Equities Corp._SEC Form 17-A Part2 & 3_30June2020

Dear Sir/Madam,

Acknowledging receipt of your email with attachments.

Thank you.

Regards.

MARKETS AND SECURITIES REGULATION DEPARTMENT
PHILIPPINE SECURITIES AND EXCHANGE COMMISSION

On Tue, Jun 30, 2020 at 2:44 PM Lita Elegio <lita.e@metroalliance.com> wrote:

Hi SEC,

Please see attached SEC Form 17A (part2&3) of METRO ALLIANCE HOLDINGS & EQUITIES CORP. together with the Certification for the submission of Annual Report through electronic email.

Thank you!

Regards,

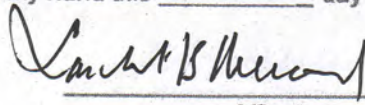
METRO ALLIANCE HOLDINGS & EQUITIES CORP.

Certification

I, Atty. Lamberto B. Mercado, Jr., Compliance Officer of Metro Alliance Holdings and Equities Corporation with SEC registration number 0000000296 with principal office at 35th Flr., One Corporate Center, Dona Julia Vargas, cor Meralco Ave., Ortigas Center, Pasig City, on oath state:

- 1) That on behalf of Metro Alliance Holdings and Equities Corporation, I have caused this Annual Report SEC Form 17-A to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That the company Metro Alliance Holdings and Equities Corp. will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of
JUN 29 2020, 20_____.

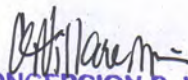


Affiant

SUBSCRIBED AND SWORN to before me this _____ day of _____, 20_____.
QUEZON CITY JUN 29 2020

NOTARY PUBLIC

DOC# _____
PAGE# _____
BOOK# _____
SERIES OF 2020


ATTY. CONCEPCION P. VILLAREÑA
Notary Public for Quezon City
Until December 31, 2021
PTR No. 9296041 – 1-2-2020/ QC
IBP No. 093586 – 10-22-2019/ QC
Roll No. 30457 – 05-09-80
MCLE VI – 0030379
Adm. Matter No NP-001(2020-2021)
TIN No. 131-942-754



METRO ALLIANCE
HOLDINGS & EQUITIES CORP.

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

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

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

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

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

Valdes Abad & Company, CPAs, the independent auditors, appointed by the stockholders has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

ELVIRA A. TING
Chairman of the Board

KENNETH T. GATCHALIAN
President

JAMES B. PALIT-ANG
Corporate Treasurer

MUN 29 2020

SUBSCRIBED AND SWORN to before me in PASIG CITY City/Province, Philippines on _____, affiants personally appeared before me and exhibited to me their tax identification number.

Name	Tax Identification Number
1. ELVIRA A. TING	117-922-153
2. KENNETH T. GATCHALIAN	167-406-526
3. JAMES B. PALIT-ANG	151-671-333

WITNESS MY HAND AND SEAL on the date and at the place above written.

DOC NO: AT
PAGE NO: 16
BOOK NO: CSX19
SERIES OF 2

EDILBERTO G. CONDAYA
NOTARY PUBLIC
PASIG PATEROS & SAN JUAN
UNTIL DEC. 31, 2020
PTR NO. 642391411220
IBP NO. 056931/APPT. NO. 6412019-20
ROLL NO. 2666
TIN NO. 295584914000
KIDAPAGAN 004493
2ND BOARD ARMA-BIDG. URBANO
VEDES-COME, MALINAO, PASIG CITY

35th Flr. One Corporate Center Doña Julia Vargas Avenue corner
Meralco Ave., Ortigas Center, Pasig City, Phils. 1605
Trunkline (02) 706-7888 * Fax No. (02) 706-5982

**INDEPENDENT AUDITOR'S REPORT TO ACCOMPANYING FINANCIAL STATEMENTS FOR
FILING WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES
35th Floor One Corporate Center, Dona Julia Vargas Ave., cor. Meralco Ave.
Ortigas Center, Pasig City

We have examined the consolidated financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** for the year ended December 31, 2019, on which we have rendered the attached report dated June 25, 2020.

In compliance with Revised SRC Rule 68, we are stating that the Group has seven hundred sixty-two (762) stockholders owning one hundred (100) or more shares each as of December 31, 2019.

VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314

Issued on October 4, 2018, Valid until July 10, 2021

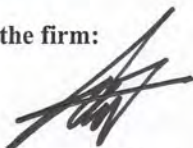
BIR Accreditation No. 08-002126-000-2017

Issued on December 13, 2017, Valid until December 13, 2020

SEC Accreditation No. 0-361-F

Issued on August 23, 2018 Valid until August 22, 2021

For the firm:



ALFONSO L. CAY-AN

Partner

CPA Registration No. 99805

Issued on December 28, 2017, Valid until December 14, 2020

TIN No. 213-410-741-000

PTR No. 8135530, Issued Date: January 10, 2020, Makati City

BOA/PRC Reg. No. 0314

Issued on October 4, 2018, Valid until July 10, 2021

SEC Accreditation No. 1701-A

Issued on August 23, 2018, Valid until August 22, 2021

BIR Accreditation No. 08-002126-005-2017

Issued on December 13, 2017, Valid until December 13, 2020

Makati City, Philippines
June 25, 2020

**REPORT OF INDEPENDENT PUBLIC AUDITORS
TO ACCOMPANY SEC SCHEDULES FILED SEPARATELY FROM THE
BASIC FINANCIAL STATEMENTS**

The Board of Directors

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

35th Floor One Corporate Center, Dona Julia Vargas Ave., cor. Meralco Ave.

Ortigas Center, Pasig City

We have examined the consolidated financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** as of December 31, 2019 on which we have rendered the attached report dated June 25, 2020. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary schedules of the Group as of December 31, 2019 and for the year ended, required by the Securities and Exchange Commission, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in such supplementary schedules 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.

VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314

Issued on October 4, 2018, Valid until July 10, 2021

BIR Accreditation No. 08-002126-000-2017

Issued on December 13, 2017, Valid until December 13, 2020

SEC Accreditation No. 0-361-F

Issued on August 23, 2018 Valid until August 22, 2021

For the firm:



ALFONSO L. CAY-AN

Partner

CPA Registration No. 99805

Issued on December 28, 2017, Valid until December 14, 2020

TIN No. 213-410-741-000

PTR No. 8135530, Issued Date: January 10, 2020, Makati City

BOA/PRC Reg. No. 0314

Issued on October 4, 2018, Valid until July 10, 2021

SEC Accreditation No. 1701-A

Issued on August 23, 2018, Valid until August 22, 2021

BIR Accreditation No. 08-002126-005-2017

Issued on December 13, 2017, Valid until December 13, 2020

Makati City, Philippines

June 25, 2020

**INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors
METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES
35th Floor One Corporate Center, Dona Julia Vargas Ave., cor. Meralco Ave.
Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards Auditing, the financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** as of December 31, 2019, 2018 and 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by the Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the financial statements as of December 31, 2019, 2018 and 2017 and no material exceptions were noted.

VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314

Issued on October 4, 2018, Valid until July 10, 2021

BIR Accreditation No. 08-002126-000-2017

Issued on December 13, 2017, Valid until December 13, 2020

SEC Accreditation No. 0361-F

Issued on August 23, 2018, Valid until August 22, 2021

For the firm:



ALFONSO L. CAY-AN

Partner

CPA Registration No. 99805

Issued on December 28, 2017, Valid until December 14, 2020

TIN No. 213-410-741-000

PTR No. 8135530, Issued Date: January 10, 2020, Makati City

BOA/PRC Reg. No. 0314

Issued on October 4, 2018, Valid until July 10, 2021

SEC Accreditation No. 1701-A

Issued on August 23, 2018, Valid until August 22, 2021

BIR Accreditation No. 08-002126-005-2017

Issued on December 13, 2017, Valid until December 13, 2020

Makati City, Philippines
June 25, 2020

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

35th Floor One Corporate Center, Dona Julia Vargas Ave., cor. Meralco Ave.
Ortigas Center, Pasig City

Opinion

We have audited the accompanying consolidated financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** which comprise the statements of financial position as of December 31, 2019, 2018 and 2017, and the related statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and notes to the financial statements, including as summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** as of December 31, 2019, 2018 and 2017 and of its financial performances and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, the Code of Ethics for Professional Accountants in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. These matters were 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 these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

(a) Realization of Outstanding Receivables from Polymax Worldwide

As of December 31, 2019, 2018 and 2017, the Group has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to P366.2 million and P368.8 million which accounts for 54% and 61% of the Group's total assets. These advances were related to the acquisition of the petrochemical plant of Bataan Polyethylene Corporation (BPC) involving a series of acquisition transactions described in Note 2.3 of the notes to the financial statements. The analysis of the recoverability of these advances is significant to our audit because the assessment process requires use of management judgment. It is also based on assumptions of future cash inflow to be generated by Polymax in which the settlement to their obligation to the Group is dependent upon.

Audit response

We obtained an understanding of the nature of the said advances and assessed the management's plan to fully recover the outstanding balance. Our audit procedure included circulation of confirmation letter to Polymax to confirm the existence of the said advances. Likewise, this covered substantiation of partial collection made by the Group during the years 2019, 2018 and 2017. We also assessed the completeness and accuracy of the disclosures relating to the said advances in the notes to financial statements as discussed in Note 2.3.

(b) Realization of Management's Plan to Address the Going Concern

The Group's request to lift the trading suspension has been granted by the Philippine Stock Exchange which resulted to significant development for the year. The Group designed a detailed plan to address the going concern uncertainties and likewise, structured its capital build-up program as discussed in Note 2.2. The realization of the plans to be performed by the Group is significant to our audit as this materially affects our judgement to the ability of the Group to continue its operations in foreseeable future as deemed necessary by PSA 570 (Revised) *Going Concern*.

Audit response

Our audit procedures included understanding of the current market conditions in which the Group operates and assess whether management's plan to address the going concern uncertainty is feasible. We compared and tested forecasted activities to be performed with industry practices. We have reviewed the compliance of the Group to the requirements of the regulatory agencies and their correspondence with regard unresolved issues. We likewise examined documentation for the on-going litigations that could impact its cash flows from third party legal counsels.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs 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 PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (i) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's 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.
- (ii) 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 entity's internal control. In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor shall omit the phrase that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- (iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (iv) 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 entity's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- (v) 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 be 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314

Issued on October 4, 2018, Valid until July 10, 2021

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For the firm:



ALFONSO L. CAY-AN

Partner

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Issued on December 13, 2017, Valid until December 13, 2020

Makati City, Philippines
June 25, 2020

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Philippine Peso)

ASSETS	Notes	2019	December 31, 2018	2017
CURRENT ASSETS				
Cash	10	32,982,656	43,193,209	36,538,607
Trade and other receivables, net	11	148,312,443	131,836,910	116,786,722
Other current assets, net	12	19,050,415	22,386,225	14,933,877
Total Current Assets		200,345,514	197,416,344	168,259,206
NON-CURRENT ASSETS				
Asset held for sale	13	366,185,828	368,819,938	371,371,502
Financial assets at fair value through other comprehensive income	14	21,209,285	22,646,285	26,669,885
Financial assets at amortized cost	15	2,038,632	-	-
Property and equipment, net	16	81,584,128	6,720,886	4,424,024
Deferred tax asset	21	5,410,936	4,615,833	4,530,072
Other non-current assets	17	6,451,961	4,939,406	4,707,271
Total Non-Current Assets		482,880,770	407,742,348	411,702,754
TOTAL ASSETS		683,226,284	605,158,692	579,961,960
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	18	274,619,489	286,301,125	264,841,895
Lease liability	19	25,452,454	-	-
Due to related parties	29	59,158,547	58,951,568	59,215,719
Total Current Liabilities		359,230,490	345,252,693	324,057,614
NON CURRENT LIABILITIES				
Accrued expenses, non-current portion	18	123,438,803	123,438,803	123,608,803
Lease liability, non-current portion	19	49,633,157	-	-
Accrued retirement benefit costs	28	7,760,977	6,273,725	4,746,718
Total Non-Current Liabilities		180,832,937	129,712,528	128,355,521
EQUITY				
Equity Attributable to Equity Holders of Parent Company				
Share capital	22	306,122,449	306,122,449	306,122,449
Additional paid-in capital	22	3,571,923	3,571,923	3,571,923
Deficit	23	(214,870,166)	(220,343,298)	(222,096,817)
Remeasurement gain on retirement plan	28	4,204,357	4,104,719	4,105,556
Fair value reserve	14	4,938,322	6,375,322	10,398,922
Total Equity		103,966,885	99,831,115	102,102,033
Non-controlling interest		39,195,972	30,362,356	25,446,792
Total Equity		143,162,857	130,193,471	127,548,825
TOTAL LIABILITIES AND EQUITY		683,226,284	605,158,692	579,961,960

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Philippine Peso)

For the Years Ended December 31,	Notes	2019	2018	2017
SALE OF SERVICES	24	318,405,100	286,713,151	224,220,913
COST OF SERVICES	25	260,126,859	245,352,079	177,450,298
GROSS PROFIT		58,278,241	41,361,072	46,770,615
OTHER INCOME (EXPENSE), NET	26	(2,136,159)	562,390	254,195
GENERAL AND ADMINISTRATIVE EXPENSES	27	(33,907,695)	(29,688,386)	(27,891,147)
INCOME BEFORE TAX		22,234,387	12,235,076	19,133,663
PROVISION FOR (BENEFIT FROM) INCOME TAX	21			
Current		7,860,795	5,650,951	8,031,350
Deferred		(795,103)	(803,982)	529,575
NET INCOME		15,168,695	7,388,107	10,572,738
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized gain (loss) on equity investment	14	(1,437,000)	(4,023,600)	9,340,500
Remeasurement gain (loss) on retirement plan, net of tax	28	195,369	(1,642)	2,054,944
TOTAL COMPREHENSIVE INCOME		13,927,064	3,362,865	21,968,182
Net income attributable to:				
Equity holders of the Parent Company		6,430,810	2,471,739	3,538,466
Non-controlling interest		8,737,885	4,916,368	7,034,272
		15,168,695	7,388,107	10,572,738
Other comprehensive income (loss) attributable to:				
Equity holders of the Parent Company		(1,337,362)	(4,024,437)	10,388,521
Non-controlling interest		95,731	(805)	1,006,923
		(1,241,631)	(4,025,242)	11,395,444
Basic income per share				
Income for the year attributable to equity holders of the Parent Company	33	0.021	0.008	0.012

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Philippine Peso)

For the Years Ended December 31,	Notes	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax		22,234,387	12,235,076	19,133,663
Adjustments for:				
Adjustment on initial application of PFRS 16, leases	3	(1,078,718)	-	-
Write-off of receivables	11	-	(57,824)	(74,984)
Provision for probable losses on trade and other receivables	11	874,729	1,570,666	1,557,342
Impairment loss on other current assets	12	-	-	631,778
Amortization of intangible assets	17	496,225	412,540	292,758
Depreciation	16	35,843,499	2,225,832	1,934,069
Gain on disposal of equipment	16	(297,302)	-	-
Provision for retirement benefit costs	28	1,682,621	1,525,367	1,512,558
Interest expense paid on lease liability	26	2,726,765	-	-
Interest income	26	(229,016)	(131,349)	(242,685)
Prior period adjustment	32	121,040	-	8,408,500
Operating income before working capital changes		62,374,230	17,780,308	33,152,999
Changes in assets and liabilities:				
Trade and other receivables, net		(17,350,262)	(16,563,030)	(8,651,165)
Other current assets		(4,524,985)	(13,103,299)	412,429
Other non-current assets		(2,008,780)	(644,675)	2,371,144
Accounts payable and accrued expenses		(11,681,636)	21,289,230	(12,758,778)
Net Cash Flows from Operating Activities		26,808,567	8,758,534	14,526,629
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	26	229,016	131,349	242,685
Collection from asset held for sale	13	2,634,110	2,551,564	44,038,948
Acquisition of financial assets at FVOCI	14	-	-	(12,500,000)
Acquisition of financial assets at amortized cost	15	(2,000,000)	-	-
Interest income from financial assets at amortized cost	15	(38,632)	-	-
Acquisition of property and equipment	16	(110,796,639)	(4,522,694)	(3,722,008)
Proceeds from disposal of property and equipment	16	387,200	-	-
Net Cash Flows from Investing Activities		(109,584,945)	(1,839,781)	28,059,625
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid	26	(2,726,765)	-	-
Payment of lease liability	19	75,085,611	-	-
Advances from (Payment to) related parties	29	206,979	(264,151)	(29,377,770)
Net Cash Flows from Financing Activities		72,565,825	(264,151)	(29,377,770)
NET INCREASE (DECREASE) IN CASH		(10,210,553)	6,654,602	13,208,484
CASH AT BEGINNING OF YEAR	10	43,193,209	36,538,607	23,330,123
CASH AT END OF YEAR	10	32,982,656	43,193,209	36,538,607

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In Philippine Peso)

	Attributable to Equity Holders of the Parent Company						Minority Interests	Total Equity
	Share Capital	Additional Paid- in Capital	Deficit	Remeasurement Gain (Loss) on		Subtotal		
				Retirement Plan	Fair Value Reserve			
	(Note 22)	(Note 22)	(Note 23)	(Note 28)	(Note 14)			
BALANCES AS OF DECEMBER 31, 2016	306,122,449	3,571,923	(234,043,783)	3,057,535	1,058,422	79,766,546	17,405,597	97,172,143
Adjustment to opening balance of retained earnings (Note 32)	-	-	8,408,500	-	-	8,408,500	-	8,408,500
Net income	-	-	3,538,466	-	-	3,538,466	7,034,272	10,572,738
Other comprehensive income	-	-	-	1,048,021	9,340,500	10,388,521	1,006,923	11,395,444
BALANCES AS OF DECEMBER 31, 2017	306,122,449	3,571,923	(222,096,817)	4,105,556	10,398,922	102,102,033	25,446,792	127,548,825
Expired NOLCO (Note 23)	-	-	(718,220)	-	-	(718,220)	-	(718,220)
ADJUSTED BALANCES AT JANUARY 1, 2018	306,122,449	3,571,923	(222,815,037)	4,105,556	10,398,922	101,383,813	25,446,792	126,830,605
Net income	-	-	2,471,739	-	-	2,471,739	4,916,368	7,388,107
Other comprehensive income	-	-	-	(837)	(4,023,600)	(4,024,437)	(804)	(4,025,241)
BALANCES AS OF DECEMBER 31, 2018	306,122,449	3,571,923	(220,343,298)	4,104,719	6,375,322	99,831,115	30,362,356	130,193,471
Prior period adjustment	-	-	121,040	-	-	121,040	-	121,040
Adjustment on initial application of PFRS 16, leases (Note 3)	-	-	(1,078,718)	-	-	(1,078,718)	-	(1,078,718)
ADJUSTED BALANCES AT JANUARY 1, 2019	306,122,449	3,571,923	(221,300,976)	4,104,719	6,375,322	98,873,437	30,362,356	129,235,793
Net income	-	-	6,430,810	-	-	6,430,810	8,737,885	15,168,695
Other comprehensive income	-	-	-	99,638	(1,437,000)	(1,337,362)	95,731	(1,241,631)
BALANCES AS OF DECEMBER 31, 2019	306,122,449	3,571,923	(214,870,166)	4,204,357	4,938,322	103,966,885	39,195,972	143,162,857

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2019, 2018 and 2017

NOTE 1 – CORPORATE INFORMATION

METRO ALLIANCE HOLDINGS & EQUITIES CORP. (MAHEC or the Parent Company) is incorporated in the Philippines. The Parent Company and its subsidiaries (collectively referred to as “the Group”) are involved in contract logistics. Certain subsidiaries previously engaged in the importation and distribution of polypropylene resin and pharmacy management had ceased operations.

The new registered office address of the Parent Company is at 35th Floor One Corporate Center, Dona Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City.

In 2015, the SEC approved the amendment made to Article III of the Group’s Articles of Incorporation in regard to the change of Group’s official business address from 22nd Floor Citibank Tower, 8741 Paseo de Roxas, Makati City to 35th Floor One Corporate Center, Dona Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City.

On June 4, 2018, the Exchange has resolved to grant the Group’s request to lift the trading suspension of its shares after a careful consideration of the facts and circumstances of the Group’s case and a comprehensive review of the Group’s disclosures and representations vis-à-vis the requirements under the Disclosure Rules. The Exchange considered, among others: (i) the Group’s compliance with the disclosure requirements of the Exchange, thus addressing the grounds and reasons why the Exchange imposed the trading suspension on May 21, 2007; and (ii) the SEC’s decision setting aside the Order of Revocation on the Group’s registration and permit to sell securities. The Exchange has likewise noted the Group’s representations regarding its business plans, including its capital build-up program.

The accompanying consolidated financial statements as of December 31, 2019 were approved and authorized for issue by the Board of Directors (BOD) on June 25, 2020.

NOTE 2 – STATUS OF OPERATIONS

2.1 Going Concern

The accompanying Consolidated financial statements have been prepared assuming that the Group will continue as a going concern. As of December 31, 2019 and 2018, the Group has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₱366.2 million and ₱368.8 million, respectively, relating to the acquisition of the petrochemical plant of Bataan Polyethylene Corporation (BPC) involving a series of acquisition transactions described in the next section below. On the other hand, Polymax (jointly and severally with the Group) has past due liabilities, including accrued interest and penalties, amounting to ₱994.7 million for both years, which were obtained to partially finance the acquisition of the petrochemical plant, resulting from the transfer of past due loans as discussed in the next paragraph.

In 2007, the Group unilaterally transferred to Polymax two significant past due liabilities totaling ₱866.7 million as of December 31, 2006 that were obtained (jointly and severally with Polymax) to partially finance the acquisition of the petrochemical plant, and applied these against the Group’s advances to Polymax, in order to reflect the economic substance of the acquisition and related loan transactions.

As explained in Note 13, the remaining 20% of Polymax’s interest in the petrochemical plant is for sale. The realization of the Group’s advances to Polymax and the settlement of the past due liabilities carried in the books of Polymax, for which the Group is jointly and severally liable, depend on whether sufficient cash flows can be generated from the sale Polymax’s remaining 20% interest in NPC Alliance Corporation (NPCA) and from the letter of comfort issued by the Group major stockholders in favor of the Group.

In 2019 and 2018, the Group was able to collect partially their advances from Polymax amounting to ₱2,634,110 and ₱2,551,564, respectively.

2.2 Management Plan to Address Going Concern Uncertainties

In the management letter last year, the management summarized the projected plans of the Group. Fortunately, significant development has happened principally due to the lifting of the suspension of the trading of the Group's shares on the Philippine Stock Exchange (PSE).

Projected Plan for next 12 months

The Group still holds 20% interest in NPC Alliance Corporation (NPCAC) as of December 31, 2019. While this investment is still realizable at substantially higher value than the stated in the books, sufficient provision for possible loss have already been recorded. Recently, it has been determined that the present global petrochemical market conditions have had a dampening effect on the viability of the polyethylene business, especially when coupled with the difficulty in sourcing ethylene feedstock. As a consequence, thereof, and in order to protect our interest, we have filed legal suits against our partners in NPCAC in order to establish full accountability. Among the other options we have presented to our Iranian partners is to consider the take-over of the plant by MAHEC/Polymax together with its potential Chinese partner. The proposal of MAHEC/Polymax is still under consideration by Persian Gulf Petrochemical Industries Corporation (PGPIC), the majority shareholder of NPCA.

MAHEC's remaining operating subsidiary, Metro Combined Logistics Solutions, Inc. (MCLSI), is steadily growing with additional business from its existing principals. MCLSI is also exploring business opportunities in the transport field, including computer app solutions, warehousing and cold storage; in medical distribution and pharmaceutical business logistics, operation of hospice care and management of medical clinics, importation of medical equipment; and also in document storage, car parking, sea travel, river ferry and a airport/sea port terminal management.

Actions of the Group

The Group has remained steadfast to regain its status as a going concern. In line with this, several actions were taken to conserve the Group's resources and build confidence for its business direction:

- a) Commitment by the majority shareholders of the Group to guaranty the recoverable value of the remaining "assets for sale" in its books in order that the Group's equity be preserved;
- b) Pressing the majority shareholders of NPCA to write down the obligation of NPCA to its principal shareholders to pave the way for restructured financial statements;
- c) Increasing the number of Board Directors from 7 to 9 in order to pave the way for a broader representation of stakeholders;
- d) Removing the "A" and "B" classification of the Group shares to integrate common shares into just one class.
- e) Working out a stock rights offer for take advantage of unissued shares from our authorized capital stock.

After the conduct of stock right offering, the Group will pursue its pending application with the SEC to increase its authorized capital stock to ₱5 billion, in order to meet its projected investments. In sum, the Group is expected to satisfy its cash requirements to finance its projected plans and investments in new ventures throughout the calendar year 2020.

Realization of Outstanding Receivables from Polymax Worldwide in the Amount of Php 366,185,828 as of December 31, 2019

Assuming that the 4-way negotiations with the Chinese bank, the Chinese petrochemical firm and the Iranians will bog down, there are other alternatives to address the issue. In order that this outstanding receivable will be fully recovered, a payment via dacion of the remaining 20% NPCA shares held by Polymax in NPC Alliance may be assigned to Metro Alliance, thus, making the Group the direct shareholders of NPCA. The estimated present value of the 20% NPCA shares is placed at \$20 Million.

Manpower Requirements

The Group does not expect significant changes in the number of employees as it is still in the stage of exploring new business opportunities. Manpower will be outsourced if needed.

Capital Asset Acquisition

The Group will make purchases of equipment and machines in the future if needed especially when investment in mining industry will materialize.

2.3 Acquisition Transactions

On December 4, 2003, the Group entered into a Memorandum of Agreement (MOA) with Polymax, whereby the Group confirmed the designation of Polymax as the acquiring Company in the proposed acquisition of the senior secured debt papers of BPC from International Finance Corporation (IFC). Under the MOA, the Group and Polymax agreed that (a) the acquisition of the secured debt paper would be for the account and benefit of the Group; (b) the funding for the acquisition would be provided and arranged by the Group; and (c) the exercise of creditor rights arising from the secured debts via foreclosure and takeover of the assets of BPC would be directed by and for the account and benefit of the Group. In addition, the Group would make certain advances to Polymax.

On December 19, 2003, Polymax and IFC entered into an Assignment and Transfer Agreement (the Agreement) for the purchase by the former of the senior secured debt papers of BPC. The Group advanced to Polymax the initial deposit of US\$5 million, which was remitted to IFC for the assignment payment, pursuant to the terms of the Agreement. On February 11, 2004, IFC confirmed that it has received the full payment for the assignment of the senior secured debt papers of BPC.

To partially finance the Group's advances relating to the Petrochemical Project, the Group obtained short-term loans from local banks. With the delay in the completion of the activities and the conditions required for the Petrochemical Project, the Group was unable to pay the bank loans on maturity dates. As of December 31, 2006, the amounts payable to the banks totaled ₱866.7 million, consisting of the outstanding principal balance of ₱378.3 million and finance charges of ₱488.4 million. In 2007, these past due liabilities were unilaterally transferred to and applied against the advances made to Polymax as discussed in Note 13.

Pursuant to the Group's plan of acquiring full control of BPC, instead of exercising creditor rights, the Group, on April 16, 2004, entered into a Share Purchase Agreement (SPA) with BPC, Tybalt Investment Limited (TIL), BP Holdings International B.V. (BPHI) and Petronas Philippines, Inc. (PPI), with TIL as the purchaser of the 83% interest of the foreign shareholders of BPC. As agreed by the parties, the SPA is to take effect as of March 31, 2004, subject to closing conditions, as defined in the SPA, which the parties have to comply with within a period of 60 days or later if the conditions are not met.

On July 7, 2005, Polymax and BPC executed a Deed of Conveyance, transferring to Polymax under an asset for share swap, the petrochemical plant of BPC in exchange for 85 million common shares of Polymax with par value of US\$1 per share, or a total par value of US\$85 million.

On July 20, 2005, the Group, Polymax and NPC International Limited (NPCI) entered into an SPA which provided that, subject to certain conditions, including the transfer of the petrochemical plant of BPC free from encumbrances, NPCI will acquire 60% of the issued share capital of NPCA from Polymax.

On August 9, 2005, Polymax and NPCA executed a Deed of Conveyance, transferring to NPCA, under an asset for share swap, the same petrochemical plant in exchange for 4.8 million shares of common stock of NPCA with a total par value of ₱4.8 billion, resulting in 100% ownership interest of Polymax in NPCA.

On August 9, 2005, Polymax and NPCA executed a Deed of Conveyance, transferring to NPCA, under an asset for share swap, the same petrochemical plant in exchange for 4.8 million shares of common stock of NPCA with a total par value of ₱4.8 billion, resulting in 100% ownership interest of Polymax in NPCA.

On November 15, 2005, BPC and Polymax executed a Deed of Assignment whereby BPC transferred and conveyed to Polymax all its rights and interest to Polymax's 85 million shares of common stock, with a total value of US\$85 million, in exchange for the discharge of a portion of BPC's secured debt, which was acquired by Polymax from IFC, up to the extent of the value of the shares transferred. Polymax retired the said shares 10 days from the date the Deed of Assignment.

On December 16, 2005, Polymax, NPCI, Petrochemical Industries Investment Group (PIIC) and the Group entered into an amended SPA whereby NPCI and PIIC will purchase 40% and 20% of NPCA's shares of common stock, respectively, from Polymax. In addition to the conditions set forth in the original SPA, the amended SPA also involves advances to be provided by NPCI amounting to US\$15 million representing an advance payment which may be used to fund the bona fide third-party costs of NPCA or BPC for the recommissioning, operation and maintenance of the petrochemical plant or such other third-party cost or expenses, taxes or duties as agreed between Polymax and NPCI.

On the same date, the Group, NPCI and PIIC entered into a Guarantee and Indemnity agreement whereby the Group irrevocably and unconditionally guaranteed the prompt performance and observance by Polymax and the payment on demand by Polymax of all moneys, obligations and liabilities, which are now or at any time after the execution of the agreement become due from or owing or incurred by Polymax under or in connection with any of the SPA and the Shareholders' Agreement. The Group also guaranteed that it shall be liable for Polymax's obligations, as if it were a principal debtor, if Polymax's obligations are no longer recoverable from Polymax.

On March 18, 2006, Polymax, NPCI, PIIC and the Group entered into an Agreement of Variation (March 2006 Variation Agreement) to vary and amend the terms of the "Amended and Restated Share Purchase Agreement (ARSPA) and the Shareholders' Agreement" entered on December 16, 2005. Under the March 2006 Variation Agreement, completion of the conditions and conditions subsequent set forth in the ARSPA was extended to April 30, 2006. Moreover, additional conditions that Polymax needs to satisfy prior to completion were agreed upon.

On the same date, Polymax and NPCI executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to NPCI all the rights, title and interest in 19,090,000 NPCA shares of common stock, equivalent to 40% ownership interest, for a consideration of ₱1.91 billion.

On September 11, 2006, Polymax, NPCI, PIIC, the Group and NPCA entered into another Agreement of Variation (September 2006 Variation Agreement) to further vary and amend the terms of the ARSPA and the Shareholders' Agreement (both initially amended and varied by the March 2006 Variation Agreement). Polymax, in accordance with its obligations under the ARSPA, had notified NPCI and PIIC that it is aware that certain conditions will not be fulfilled by April 30, 2006. As a result, the parties agreed to transfer to PIIC the 9,545,000 NPCA shares of common stock prior to completion, while certain conditions will become conditions subsequent to be completed on December 31, 2006.

On September 20, 2006, Polymax and PIIC executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to PIIC all the rights, title and interest in 9,545,000 NPCA shares of common stock, equivalent to 20% ownership interest, for a consideration of ₱954.5 million.

On December 31, 2006, the ARSPA Variation Agreement expired with the conditions subsequent remaining unsettled. Nevertheless, NPCI and PCII took control of the petrochemical plant resulting in a dispute with the Group and Polymax, who considered the sale of Polymax's 40% and 20% interest in the petrochemical plant to NPCI and PCII, respectively, as null and void.

On August 21, 2007, the petrochemical plant started commercial operations under NPCI and PIIC.

Subsequently on August 27, 2013, the Group and Polymax entered into a settlement agreement with NPCI, PIIC and NAC to resolve, fully and finally, the dispute arising from the uncompleted acquisition transactions described above. Under the agreement, NCPI shall, among others, pay Polymax the remaining balance of the purchase price of the 60% NPCA shares net of deductions agreed by the parties. Simultaneous with the execution of the agreement, Polymax shall also sell to NPCI an additional 20% of Polymax's interest in NPCA from the remaining 40% equity holding in NPCA at US\$8 million or its equivalent in Philippine peso. In September 2013 and August 2014, the remaining balance due to Polymax was paid by NCPI and the 20% interest of Polymax in NPCA was sold to NCPI, respectively, in accordance with the agreement.

As a result of the foregoing settlement, the arbitration tribunal issued on October 2, 2014 an order for withdrawal of the arbitration cases (under the United Nations Commission on International Trade Law Rules of Arbitration), which were earlier filed by the parties due to the dispute arising from their various agreements.

NOTE 3 – BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) approved by the Philippine Financial Reporting Standards Council (PFRSC) and the SEC.

3.2 Statement of preparation

The consolidated financial statements have been prepared on the accrual basis using historical cost basis, except for equity instruments financial assets that are measured at fair value.

3.3 Functional and presentation currency

The consolidated financial statements are prepared in Philippine Peso (₱), which is the Group's functional and presentation currency. All values are rounded off to the nearest Peso, unless otherwise indicated.

3.4 Use of judgments and estimates

The preparation of consolidated financial statements in compliance with PFRS requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the consolidated financial statements and their effects are disclosed in Note 5.

3.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company, Metro Alliance Holdings and Equities Corp., and the following subsidiaries:

	Percentage of Ownership	
	2019	2018
Operating subsidiaries:		
Metro Combined Logistics Solutions, Inc. (MCLSI) (formerly GAC Logistics, Inc.)	51%	51%
Non-operating subsidiaries:		
Consumer Products Distribution Services, Inc. (CPDSI)	100%	100%
FEZ-EAC Holdings, Inc. (FEZ-EAC)	100%	100%
Zuellig Distributors, Inc. (ZDI)	100%	100%
Asia Healthcare, Inc. (AHI)	60%	60%

A subsidiary is an entity in which the Parent Company has control. Subsidiaries are consolidated from the date on which control is transferred to the Parent Company and cease to be consolidated from the date on which control is transferred out of the Parent Company.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

Non-controlling Interests

Non-controlling interests represent the interests in subsidiaries which are not owned, directly or indirectly through subsidiaries, by the Parent Company. If losses applicable to the non-controlling interest in a consolidated subsidiary exceed the non-controlling interest's equity in the subsidiary, the excess, and any further losses applicable to non-controlling interest, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good of the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the interest's share of losses previously absorbed by the majority interest has been recovered.

3.6 Adoption of new and revised accounting standards

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – This standard will replace PAS 17, *Leases* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' consolidated statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

The Group has initially adopted all the requirements of PFRS 16 Leases from January 1, 2019.

PFRS 16 introduced a single, on-balance sheet accounting model for lessees. The adoption of this new Standard has resulted the Group, as a lessee, in recognizing right-of-use asset, representing its rights to use the underlying asset, and lease liability, representing its obligation to make lease payments, from the date of initial application. Lessor accounting remains similar to previous accounting policies.

Effect on the opening balance

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting PFRS 16 being recognized in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For the purpose of applying the modified retrospective approach, the Group elects to:

- measure the lease liability at the present value of lease payments based on the lessee's incremental borrowing rate over the remaining lease term at the initial application of the contract;
- measure the right-of-use asset retrospectively using the incremental borrowing rate at the initial application, adjusted by depreciation charge computed over the lease term;
- apply the practical expedient to apply a single discount rate to a portfolio of leases with similar characteristics;
- apply the practical expedient to exclude initial direct costs from the right-of-use asset;
- apply the practical expedient to use hindsight when assessing the lease term;
- apply the practical expedient to rely on its assessment that the lease was onerous under PAS 37 and therefore adjust the right-of-use asset at the date of initial application by the onerous lease provision rather than conduct an impairment test; and
- apply the practical expedient not to recognize a right-of-use asset or lease liability to leases for which the lease term ends within 12 months from the date of initial application.

The following is a reconciliation of the consolidated financial statements line items from PAS 17 to PFRS 16 at January 1, 2019:

	PAS 17 carrying amount at December 31, 2018	Reclassification	Remeasurement	PFRS 16 carrying amount at January 1, 2019
Property and equipment, net	₱ 6,720,886	₱ -	₱ 44,267,810	₱ 50,988,696
Accounts payable and accrued expenses	(409,739,928)	-	(45,346,528)	(455,086,456)
Cumulative deficit	(220,343,298)	-	-	(220,343,298)
Total	₱ (623,362,340)	₱ -	₱ (1,078,718)	₱ (624,441,058)

Transition

For any new contracts entered on or after January 1, 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- a) the contract contains an *identified asset*, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group,
- b) the Group has the *right to obtain substantially all of the economic benefits* from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract,
- c) the Group has the *right to direct the use* of the identified asset throughout the period of use.

As a lessee

The Group entered into lease agreements with various companies for lease of office premises and warehouses.

As a lessee, the Group previously adopted PAS 17 wherein leases were classified as operating, or finance lease based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under PFRS 16, the Group recognizes right-of-use assets and lease liabilities for its leases.

On the consolidated statements of financial position, right-of-use assets have been included in property and equipment amounting to ₱106,304,776, while the accumulated depreciation amounted to ₱32,798,271 (Note 16) as of December 31, 2019.

While the carrying amount of lease liability on the consolidated statements of financial amounted to ₱75,085,611 (Note 19) as of December 31, 2019.

In 2019, the liability was reduced by interest payments amounting to ₱2,726,765 (Note 26) and principal payments amounting to ₱32,297,880 (Note 19).

- Amendments to PFRS 9, *Financial Instruments* - Prepayment Features with Negative Compensation – The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, *Financial Instruments* for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

The Group has adopted all the requirements of PFRS 9 except for hedge accounting.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures* - Long-term Interests in Associates and Joint Ventures – The amendments clarify that long-term interests in an associate or joint venture that, in substance, form part of the entity's net investment but to which the equity method is not applied, are accounted for using PFRS 9, *Financial Instruments*.

PAS 28 has no impact on the consolidated financial statements of the Group.

- Amendments to PAS 19, *Employee Benefits* - Plan Amendment, Curtailment or Settlement – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

Amendments to PAS 19 have no impact on the consolidated financial statements of the Group.

- IFRIC 9, *Prepayment Features with Negative Compensation (Amendments)* - The standard amends the existing requirements in PFRS 9 regarding termination rights in order to allow measurement at a amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

Amendments to IFRIC 9 have no impact on the consolidated financial statements of the Group.

- IFRIC 23, *Uncertainty over Income Tax Treatments (New)* - The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under PAS 12. It specifically considers:
 - Whether tax treatments should be considered collectively
 - Assumptions for taxation authorities' examinations
 - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
 - The effect of changes in facts and circumstances

IFRIC 23 has no impact on the consolidated financial statements of the Group.

3.6 New and amended PFRS issued but not yet effective

Relevant new and amended PFRS which are not yet effective for the period ended December 31, 2019 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2021:

IFRIC 17 Insurance Contracts - requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

IFRIC 17 has no significant impact on the consolidated financial statements of the Group.

3.7 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current/noncurrent classification.

An asset is current when:

- It is expected to be realized or intended to be sold or consumed in normal operating cycle
- It is held primarily for the purpose of trading
- It is expected to be realized within twelve months after the reporting period, or
- Cash on hand and in banks unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as noncurrent.

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are summarized below. The policies have been consistently applied to all years presented unless otherwise stated.

4.1 Financial assets and financial liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As of December 31, 2019 and 2018, the Group's cash, trade and other receivables, refundable deposits and investment in debt securities are included under this category.

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Group may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the

financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the consolidated statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As of December 31, 2019 and 2018, the Group's equity investments at FVOCI are included under this category.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As of December 31, 2019 and 2018, the Group's accounts payable and accrued expenses and due to related parties are included under this category.

4.2 Reclassification

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

4.3 Impairment of financial assets at amortized cost and FVOCI

The Group records an allowance for “expected credit loss” (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset’s original effective interest rate.

For loan receivables, the Group has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

4.4 Derecognition of financial assets and liabilities

Financial Assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the consolidated statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

4.5 Offsetting financial instrument

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

4.6 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of the principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumption that market participants would use when pricing the asset or liability, assuming that market participant act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics, and risks of the asset or liability and the level of the fair value hierarchy as explained above.

4.7 Cash

Cash includes cash funds, undeposited cash collections and customers' checks. Cash funds are set aside for current purposes such as petty cash fund. Cash in banks include demand deposits which are unrestricted as to withdrawal.

Cash is valued at face value. Cash in foreign currency is valued at the current exchange rate.

The Group recognized cash as current asset when it is not restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

4.8 Trade and other receivables, net

Trade and other receivables are amounts due from clients for services performed in the ordinary course of business, if collection is expected in one year or less (or in the normal operating cycle of the business longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at a amortized cost using the effective interest rate (EIR) method, less provision for impairment.

Impairment is considered when there is objective evidence that the Group will not be able to collect the debts.

4.9 Other current assets, net

Other assets are recognized when the Group expects to receive future economic benefit from the other party, and the amount can be measured reliably. Other assets are classified in the consolidated statements of financial position as current assets when the cost of goods or services related to the assets are expected to be incurred within one year or the Group's normal operating cycle, whichever is longer. Otherwise, other assets are classified as noncurrent assets.

4.10 Asset held for sale

An asset is classified as asset held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is highly probable. Asset held for sale is stated at the lower of its carrying amount and fair value less costs to sell.

4.11 Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization of property and equipment commences once the fixed assets are available for use and is calculated on a straight-line basis over the following estimated useful lives:

<u>Particulars</u>	<u>Number of Years</u>
Leasehold improvements	5 years or lease term, whichever is shorter
Machinery and equipment	5
Office furniture, fixtures and equipment	3 to 5
Right-of-use assets	2 to 5

Depreciation is computed on the straight-line basis over the estimated useful lives of the depreciable assets. Further, amortization of right-of-use assets is calculated using the straight-line method to allocate their cost, net of residual values, over their estimated useful lives being the lesser of the remaining lease term and the life of the asset.

The remaining useful lives, residual values and depreciation and amortization method are reviewed periodically to ensure that the periods, estimated residual values and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

When an asset is sold or retired, its cost and related accumulated depreciation and amortization and any impairment in value are eliminated from the accounts. Any gain or loss resulting from its disposal is credited to or charged against current operations.

4.12 Investment in subsidiary

A subsidiary is an entity, including an unincorporated entity such as a partnership, which is controlled by the Group. The Group has control over an entity if it has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Investment in subsidiary in the Group's consolidated financial statements is carried at cost, less any impairment in the value of the individual investment.

4.13 Intangible assets

Intangible assets pertaining to software license costs that are acquired separately are initially carried at cost. Subsequently, intangible assets with definite useful lives are carried at cost less accumulated amortization and impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives, which do not exceed three years.

The remaining useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

4.14 Impairment of non-financial asset

The carrying values of property and equipment and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses of continuing operations are recognized in the consolidated statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

4.15 Accounts payable and accrued expenses

Accounts payable and accrued expenses are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced, or formally agreed with supplier including amounts due to employees. It is necessary to estimate the amount of accruals; however, the uncertainty is generally much less than for provision.

4.16 Equity

Share capital

Share capital is determined using the nominal value of shares that have been issued.

Additional paid-in capital

Additional paid-in capital includes any premiums received on the initial issuance of share capital. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net

Retained earnings (deficit)

Retained earnings represent the cumulative balance of periodic net income or loss, dividend distribution, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When retained earnings account has debit balance, it is called “deficit”, and presented as a deduction from equity of tax, from the proceeds.

4.17 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of revenue can be measured reliably, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, duties and sales taxes. Revenue includes only the gross inflow of the economic benefits received and receivable by the Company on its own account. Amounts collected on behalf of third parties, such as reimbursable transactions are not economic benefits to the Group and do not result in increase in equity; therefore, they are excluded from revenue.

- Logistics and other services is recognized when the related services are rendered.
- Dividend income is recognized when the right to receive the payment is established.
- Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.
- Other income is recognized when earned.

4.18 Cost and expenses

Costs and expenses are decreases in economic benefits during the year in the form of outflows or decreases of assets or incurrence of liabilities that result in decreases in equity other than those relating to distribution to equity participants. Costs and general and administrative expenses and interest expense are recognized in consolidated statements of comprehensive income in the period these are incurred.

- *Cost of services* - include direct material costs, personnel expenses, depreciation, utilities and other service-related costs. These are recognized when the services are used or the expenses are incurred.
- *General and administrative expenses* - Expenses incurred in the direction and general administration of day-to-day operation of the Company are generally recognized when the services are used or the expenses incurred.

4.19 Leases

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether the contract meets three key evaluations which are whether:

- a) the contract contains an *identified asset*, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group,
- b) the Group has the *right to obtain substantially all of the economic benefits* from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract,
- c) the Group has the *right to direct the use* of the identified asset throughout the period of use.

The Group shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

As a lessor

Lease payment received is recognized as income in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

As a lessee

The Group recognizes right-of-use assets and lease liabilities for its leases.

(a) Right-of-use asset

At the initial application date, the Group recognizes a right-of-use asset on the consolidated statements of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

(b) Lease liability

At the initial application date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

4.20 Retirement benefits cost

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability or asset recognized in the consolidated statements of financial position in respect of defined benefit pension plans 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 using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of all related pension obligations.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statements of comprehensive income.

Remeasurements comprising actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The cumulative gains or losses arising from the remeasurements are now shown as a separate line item in the consolidated statements of financial position as "remeasurement loss on retirement benefits obligation".

The Group provides for estimated retirement benefits to be paid under Republic Act (RA) No. 7641 to its permanent employee. The amount of retirement benefits is dependent on such factors as years of service and compensation.

4.21 Foreign currency transactions and translations

Transactions denominated in foreign currency are recorded in Philippine peso using the prevailing exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated to Philippine peso using the prevailing exchange rate at balance sheet date. Foreign exchange gains or losses arising from the translation at balance sheet date or settlement of monetary items at rates different from those at which they were initially recorded are credited to or charged against current operations.

4.22 Income tax

Income tax for the year comprises current and deferred income tax. Income tax is recognized in the Group's consolidated statements of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to tax authority. The tax rates and tax laws used to compute the current tax are those that are enacted and substantively enacted as of balance sheet date.

Deferred tax

Deferred income tax is provided using the balance sheet liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of asset and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the carry forward tax benefit of the net operating loss carryover (NOLCO). The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the carry forward benefit of unused NOLCO can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4.23 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

4.24 Earnings per share

Basic earnings per share are computed by dividing net income by the weighted average number of outstanding shares. The Group has no dilutive potential common shares that would require disclosure of diluted earnings per share in the consolidated statements of comprehensive income.

4.25 Segments

The Group's operating businesses are recognized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serve different markets. Financial information on business segments are presented in Note 6.

4.26 Provisions

Provisions are recognized only when the Group has (a) a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a Group asset but only when the receipt of the reimbursement is virtually certain.

4.27 Contingencies

Contingent liabilities are not recognized in the Group consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the Group consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

4.28 Events after the reporting date

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

NOTE 5 – CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as these become reasonably determinable.

5.1 Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Consolidation of SPE

An entity is considered a SPE and included in consolidation even in cases when the Group owns less than one-half or none of the SPE's equity, when the substance of the relationship between the Group and the SPE indicates that the SPE is controlled by the Group. While the Group has no ownership interest in Polymax, this SPE was included in the 2006 consolidated financial statements and prior years. However, starting in 2007, the SPE was no longer consolidated because it had ceased operating as a going concern (see Note 13).

Contingencies

The Group is currently involved in various legal proceedings, which are normal to its business as discussed in Note 34. The Group's estimate of the probable costs for these proceedings and resolution of these claims have been developed in consultation with outside counsel handling the prosecution and defense of these cases and is

based upon an analysis of potential results. The Group does not believe that these legal proceedings will have a material adverse effect on its consolidated financial statements. It is possible, however, that changes in estimates relating to these proceedings may materially affect results of operations.

5.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, which have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimating allowance for probable losses

The Group reviews the carrying amounts of receivables, creditable withholding and input taxes (under other current assets) and advances to Polymax (under asset held for sale) at each balance sheet date and reduces the balance of these assets to their estimated recoverable amounts.

Receivables (net of allowance for doubtful accounts of ₱149,004,715 and ₱148,129,986 as of December 31, 2019 and 2018, respectively) amounted to ₱148,312,443 and ₱131,836,910 as of December 31, 2019 and 2018, respectively (see Note 11).

The carrying amount of other current assets amounted to ₱19,050,415 and ₱22,386,225 as of December 31, 2019 and 2018, respectively as discussed in Note 12.

In 2019 and 2018, impairment loss, mainly pertaining to creditable withholding and input taxes, amounted to ₱12,886,123 for both years as shown also in Note 12.

Advances to Polymax (under asset held for sale) amounting to ₱366,185,828 and ₱368,819,938 as of December 31, 2019 and 2018, respectively, constitute 54% and 61% of the Group's total assets at the end of 2019 and 2018, respectively. The realization of the Group's advances to Polymax and the settlement of the past due liabilities carried in the books of Polymax, for which the Group is jointly and severally liable, is dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPCA and from the letter of comfort issued by the Group's major stockholders in favor of the Group, as discussed in Note 13.

Estimating useful lives and residual values of property and equipment and intangible assets

The Group estimates the useful lives and residual values of its property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives and residual values based on factors that include asset utilization, internal technical evaluation, technological changes, and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property and equipment and intangible assets would increase depreciation and amortization expenses, while an increase in the estimated useful lives would decrease depreciation and amortization expenses.

There has been no change in the Group's estimate of the useful lives and residual values of its property and equipment in 2019 and 2018.

Evaluation of impairment of noncurrent non-financial assets

The Group assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual asset or, if it is not possible, for the cash generating unit to which the asset belongs.

Management believes that there was no indication of impairment on property and equipment as of December 31, 2019 and 2018. As of December 31, 2019 and 2018, property and equipment, net of accumulated depreciation and amortization, amounted to ₱81,584,128 and ₱6,720,886, respectively, (Note 16) and total depreciation and amortization charged to operations amounted to ₱35,843,499 and ₱2,225,832, respectively, (Note 16) for periods ending December 31, 2019 and 2018.

Fair value of financial assets and liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires use of accounting estimates and judgment. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., quoted market prices and interest rates). In the case of those financial assets and financial liabilities that have no active markets, fair values are determined using an appropriate valuation technique. Any change in fair value of these financial assets and liabilities would affect profit or loss and equity. The fair value of financial assets and liabilities are enumerated in Note 9.

Impairment of equity investments

The Group treats equity financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment. The Group treats “significant” generally as a decline of 20% or more below of the original cost of the investment, and “prolonged” as period longer than 12 months. In addition, the Group evaluates other factors for equity investments with no quoted bid prices such as changes in the issuer’s industry and sector performances, legal and regulatory framework, technology, and other factors that affect the recoverability of the investments.

Deferred tax assets

The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets 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 assets to be utilized.

The recognized net deferred tax assets amounted to ₱5,410,936, ₱4,615,833, and ₱4,530,072 as of December 31, 2019, 2018, and 2017, respectively (Note 21).

The Group did not recognize deferred tax assets of the Group and its non-operating subsidiaries amounting to ₱51,118,201, ₱51,717,634, and ₱50,379,389 as of December 31, 2019, 2018 and 2017, respectively, as management believes that the Group and its non-operating subsidiaries may not have sufficient future taxable profits available to allow utilization of these deferred tax assets as discussed in Note 21.

Incremental borrowing rate of lease liability

Incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The incremental borrowing rate is determined by the Group on the commencement date of the lease. As a result, it incorporates the impact of significant economic events and other changes in circumstances arising between lease inception and commencement.

This incremental rate is used to measure the lease liability at the present value of lease payments that are not paid at the end of lease term. In 2019, the Group’s determined incremental rates used to compute the carrying value of lease liability amounting to a total of ₱75,085,611 is ranging from 3% to 5% (Note 19). No lease liability was recognized in 2018.

Retirement benefits

The determination of the obligation and cost of retirement benefits is dependent on certain assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 28 to the consolidated financial statements and include, among others, discount rates, salary increase rates and expected rates of return on plan assets. Actual results that differ from the Group’s assumptions are accumulated and amortized over future periods

and therefore, will generally affect the recognized expense and recorded obligation in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligations.

Accrued retirement benefits costs amounted to ₱7,760,977, ₱6,273,725, and ₱4,746,718 as of December 31, 2019, 2018 and 2017, respectively (Note 28).

NOTE 6 – SEGMENT INFORMATION

The Group's business activities are conducted in the Philippines and it is primarily in the contract logistics and supply chain management segment in 2019, 2018 and 2017.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, other current assets, asset held for sale and property and equipment, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of accounts payable and accrued expenses, due to related parties and long-term debt.

The financial information with regard to the Group's significant business segments as of December 31, 2019, 2018 and 2017 and for the years then ended is presented below.

	2019		
	<u>Distribution and Contract Logistics</u>	<u>Other Businesses</u>	<u>Total</u>
External Sales	₱ 318,405,100	₱ -	₱ 318,405,100
Results:			
Segment result	₱ 24,503,629	₱ (4,101,479)	₱ 20,402,150
Other income	590,258	348	590,606
Provision for income tax	(7,065,692)	-	(7,065,692)
Net income	₱ <u>18,028,195</u>	₱ <u>(4,101,131)</u>	₱ <u>13,927,064</u>
Other Information:			
Segment assets	₱ 252,585,626	₱ 430,653,625	₱ 683,239,251
Segment liabilities	167,522,158	372,675,276	540,197,434
Capital expenditures	108,177,455	-	108,177,455
Depreciation and amortization	36,164,081	-	36,164,081
Noncash items other than depreciation and amortization	<u>874,729</u>	<u>-</u>	<u>874,729</u>
	2018		
	<u>Distribution and Contract Logistics</u>	<u>Other Businesses</u>	<u>Total</u>
External Sales	₱ 286,713,151	₱ -	₱ 286,713,151
Results:			
Segment result	₱ 14,317,204	₱ (6,669,760)	₱ 7,647,444
Other income	562,016	374	562,390
Provision for income tax	(4,846,969)	-	(4,846,969)
Net income	₱ <u>10,032,251</u>	₱ <u>(6,669,386)</u>	₱ <u>3,362,865</u>
Other Information:			
Segment assets	₱ 170,631,216	₱ 434,527,476	₱ 605,158,692
Segment liabilities	102,517,226	372,447,995	474,965,221
Capital expenditures	4,389,124	-	4,389,124
Depreciation and amortization	2,504,802	-	2,504,802
Noncash items other than depreciation and amortization	<u>1,989,072</u>	<u>-</u>	<u>1,989,072</u>

	2017		
	Distribution and Contract Logistics	Other Businesses	Total
External Sales	₱ 224,220,913	₱ -	₱ 224,220,913
Results:			
Segment result	₱ 24,761,911	₱ 5,513,001	₱ 30,274,912
Other income	253,410	785	254,195
Provision for income tax	(8,560,925)	-	(8,560,925)
Net income	₱ 16,454,396	₱ 5,513,786	₱ 21,968,182
Other Information:			
Segment assets	₱ 138,861,377	₱ 441,100,583	₱ 579,961,960
Segment liabilities	80,061,417	372,351,718	452,413,135
Capital expenditures	3,722,005	-	3,722,005
Depreciation and amortization	2,226,827	-	2,226,827
Noncash items other than depreciation and amortization	3,040,977	-	3,040,977

NOTE 7 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist of cash, equity investments, investment in debt securities, due from (to) related parties and long-term debt. The main purpose of these financial instruments is to finance the Group's operations. The Group's other financial assets and liabilities include receivables, refundable deposits and accounts payable and accrued expenses, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Board of Directors review and approve the policies for managing these risks which are summarized below:

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt. As of December 31, 2019 and 2018, the Group has minimal exposure to interest rate risk since the interest rates are fixed up to the date of maturity.

Credit Risk

It is the Group's policy to require all concerned related and/or third party to comply and undergo a credit verification process with emphasis on their capacity, character and willingness to pay. In addition, receivables are closely monitored so that exposure to bad debts is minimized. The Group deals only with legitimate parties. As to other financial assets of the Group like cash, the credit risk arises only in case of default of the counterparty and the maximum exposure is limited to the carrying amount of the instruments.

- a. Financial information on the Group's maximum exposure to credit risk as of December 31, 2019 and 2018, without considering the effects of collaterals and other risk mitigation techniques are presented below.

Particulars	2019	2018
Cash	₱ 32,982,656	₱ 43,193,209
Receivables	148,312,443	131,836,910
Refundable deposits	10,317,496	8,303,136
Total	₱ 191,612,595	₱ 183,333,255

b. Credit quality per class of financial assets

Description of the credit quality grades used by the Group follows:

Financial assets at FVOCI

High grade - Counterparties that are consistently profitable, have strong fundamentals and pays out dividends.
Standard grade - Counterparties that recently turned profitable and have the potential of becoming a high-grade Group. These counterparties have sound fundamentals.

Substandard grade - Counterparties that are not yet profitable, speculative in nature but have the potential to turn around fundamentally.

Financial assets at amortized cost

High grade - High probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Standard grade - Collections are probable due to the reputation and the financial ability of the counterparty to pay.

Substandard grade - The counterparty shows probability of impairment based on historical trends.

The tables below show credit quality by class of financial assets based on the Group's credit quality grades (gross of related allowance for credit losses).

The table below presents the credit quality of financial assets and an analysis of past due accounts.

	2019			
	Neither past due nor impaired		Past due but not impaired	Total
	High Grade	Standard Grade		
Financial assets at amortized cost:				
Cash*	₱ 32,786,656	₱ -	₱ -	₱ 32,786,656
Trade receivables (gross)	-	107,151,896	-	107,151,896
Other receivables (gross)	-	-	40,991,324	40,991,324
Financial assets at amortized cost	2,038,632	-	-	2,038,632
Refundable deposit	10,317,496	-	-	10,317,496
Subtotal	<u>45,142,784</u>	<u>107,151,896</u>	<u>40,991,324</u>	<u>193,286,004</u>
Financial assets at FVOCI	<u>21,209,285</u>	-	-	<u>21,209,285</u>
Total	<u>₱ 66,352,069</u>	<u>₱ 107,151,896</u>	<u>₱ 40,991,324</u>	<u>₱ 214,495,289</u>

*Excludes cash on hand

	2018			
	Neither past due nor impaired		Past due but not impaired	Total
	High Grade	Standard Grade		
Financial assets at amortized cost:				
Cash*	₱ 43,025,209	₱ -	₱ -	₱ 43,025,209
Trade receivables (gross)	-	89,916,809	-	89,916,809
Other receivables (gross)	-	-	40,876,159	40,876,159
Refundable deposit	8,303,136	-	-	8,303,136
Subtotal	<u>51,328,345</u>	<u>89,916,809</u>	<u>40,876,159</u>	<u>182,121,313</u>
Financial assets at FVOCI	<u>22,646,285</u>	-	-	<u>22,646,285</u>
Total	<u>₱ 73,974,630</u>	<u>₱ 89,916,809</u>	<u>₱ 40,876,159</u>	<u>₱ 204,767,598</u>

*Excludes cash on hand

The credit quality of receivables is managed by the Group using internal credit quality ratings. High and medium grade accounts consist of receivables from debtors with good financial standing and with relatively low defaults.

The Group constantly monitors the receivables from these customers in order to identify any adverse changes in credit quality. The allowance for doubtful accounts is provided for those receivables that have been identified as individually impaired.

Liquidity Risk

The Group's objective is to maintain a balance between flexibility and continuity of funding. However, because of the default on the payment of interest and principal amortizations on existing debts, the Group's access to funds has been limited to those of its related parties in the form of advances. Current working capital requirements will continue to be sourced from short-term loans and advances from related parties.

The table below shows the maturity profile of the financial assets and liabilities, based on its internal methodology that manages liquidity based on contractual undiscounted cash flows:

Particulars	2019			
	On Demand	Within 1 Year	More than 1 Year	Total
Financial assets at amortized cost:				
Cash*	₱ 32,786,656	₱ -	₱ -	₱ 32,786,656
Trade and other receivables	-	148,312,443	-	148,312,443
Financial assets at amortized cost	-	-	2,038,632	2,038,632
Refundable deposits	-	4,400,801	5,916,695	10,317,496
Subtotal	32,786,656	152,713,244	7,955,327	193,455,227
Financial assets at FVOCI	-	-	21,209,285	21,209,285
Total	32,786,656	152,713,244	29,164,612	214,664,512
Financial liabilities:				
Accounts payable and accrued expenses	₱ -	₱ 274,619,489	₱ 123,438,803	₱ 398,058,292
Lease liability	-	25,452,454	49,633,157	75,085,611
Due to related parties	-	59,158,547	-	59,158,547
Total	-	359,230,490	173,071,960	532,302,450
Net Position	₱ 32,786,656	₱ (206,517,246)	₱ (143,907,348)	₱ (317,637,938)

*Excludes cash on hand

Particulars	2018			
	On Demand	Within 1 Year	More than 1 Year	Total
Financial assets at amortized cost:				
Cash*	₱ 43,025,209	₱ -	₱ -	₱ 43,025,209
Trade and other receivables	-	131,836,910	-	131,836,910
Refundable deposits	-	4,395,221	3,907,915	8,303,136
Subtotal	43,025,209	136,232,131	3,907,915	183,165,255
Financial assets at FVOCI	-	-	22,646,285	22,646,285
Total	43,025,209	136,232,131	26,554,200	205,811,540
Financial liabilities:				
Accounts payable and accrued expenses	₱ -	₱ 286,301,125	₱ 123,438,803	₱ 409,739,928
Due to related parties	-	58,951,568	-	58,951,568
Total	-	345,252,693	123,438,803	468,691,496
Net Position	₱ 43,025,209	₱ (209,020,562)	₱ (96,884,603)	₱ (262,879,956)

*Excludes cash on hand

NOTE 8 – CAPITAL MANAGEMENT

The primary objectives of the Group’s capital management are to safeguard the ability of the entities in the Group to continue as a going concern and maximize shareholder value by maintaining the appropriate capital structure that supports the business objective of the entities. The Board of Directors of the Group’s entities has overall responsibility for monitoring capital in proportion to risk. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions, by issuing new shares and making adjustments on payments to related parties, existing debts and dividends to shareholders.

The Group is not subject to externally imposed capital requirements.

The equity attributable to equity holders of the Group less any reserves is shown in the table below.

Particulars	2019	2018
Share capital	₱ 306,122,449	₱ 306,122,449
Additional paid-in-capital	3,571,923	3,571,923
Deficit	<u>(214,870,166)</u>	<u>(220,343,298)</u>
Total	₱ <u>94,824,206</u>	₱ <u>89,351,074</u>

NOTE 9 – FINANCIAL ASSETS AND LIABILITIES

The following table summarizes the carrying and fair values of the Group’s financial assets and liabilities as of December 31, 2019 and 2018:

Particulars	2019		2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets at amortized cost				
Cash	₱ 32,982,656	₱ 32,982,656	₱ 43,193,209	₱ 43,193,209
Trade and other receivables, net	148,312,443	148,312,443	131,836,910	131,836,910
Financial assets at amortized cost	2,038,632	2,038,632	-	-
Refundable deposits	<u>10,317,496</u>	<u>10,317,496</u>	<u>8,303,136</u>	<u>8,303,136</u>
Subtotal	193,651,227	193,651,227	183,333,255	183,333,255
Financial assets at FVOCI	<u>21,209,285</u>	<u>21,209,285</u>	<u>22,646,285</u>	<u>22,646,285</u>
Total	₱ <u>214,860,512</u>	₱ <u>214,860,512</u>	₱ <u>205,979,540</u>	₱ <u>205,979,540</u>
Financial Liabilities				
Accounts payable and accrued expenses	₱ 398,058,292	₱ 398,058,292	₱ 409,739,928	₱ 409,739,928
Lease liability	75,085,611	75,085,611	-	-
Due to related parties	<u>59,158,547</u>	<u>59,158,547</u>	<u>58,951,568</u>	<u>58,951,568</u>
Total	₱ <u>532,302,450</u>	₱ <u>532,302,450</u>	₱ <u>468,691,496</u>	₱ <u>468,691,496</u>

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Current financial assets and liabilities

Due to the short-term nature of the transactions, the carrying values of cash, receivables, refundable deposits, accounts payable and accrued expenses, due to related parties and current portion of long-term debt approximate their fair values.

Financial assets at FVOCI

The fair values of publicly traded instruments and similar investments are based on quoted bid prices. Unquoted equity securities are carried at cost, subject to impairment.

Financial assets at amortized cost

The carrying value of debt investment approximates the fair value, which is determined to be the present value of future cash flows using the prevailing market rate as the discount rate.

Long-term debt

The carrying value of the noncurrent portion of long-term debt approximates the fair value, which is determined to be the present value of future cash flows using the prevailing market rate as the discount rate.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

The following table shows the Group's financial assets and financial liabilities carried at fair value:

Particulars	2019		2018	
	Level 1	Level 3	Level 1	Level 3
Financial assets at amortized cost				
Cash	₱ 32,982,656	₱ -	₱ 43,193,209	₱ -
Trade and other receivables, net	-	148,312,443	-	131,836,910
Financial assets at amortized cost	2,038,632	-	-	-
Refundable deposits	-	10,317,496	-	8,303,136
Subtotal	35,021,288	158,629,939	43,193,209	140,140,046
Financial assets at FVOCI	21,209,285	-	22,646,285	-
Total	₱ 56,230,573	₱ 158,629,939	₱ 65,839,494	₱ 140,140,046
Financial liabilities				
Accounts payable and accrued expenses	₱ -	₱ 398,058,292	₱ -	₱ 409,739,928
Lease liability	-	75,085,611	-	-
Due to related parties	-	59,158,547	-	58,951,568
Total	₱ -	₱ 532,302,450	₱ -	₱ 468,691,496

As of December 31, 2019 and 2018, the Group does not have financial assets and financial liabilities valued using Level 2 inputs. Also, there were no transfers made between each level.

NOTE 10 – CASH

As of December 31, the account consists of:

Particulars	2019	2018
Cash on hand	₱ 196,000	₱ 168,000
Cash in banks	32,786,656	43,025,209
Total	₱ 32,982,656	₱ 43,193,209

Cash in banks earn interest at the respective bank deposit rates. Interest income from banks amounted to ₱229,016 and ₱131,349 in 2019 and 2018 (Note 26), respectively.

NOTE 11 – TRADE AND OTHER RECEIVABLES, NET

As of December 31, the account consists of:

<u>Particulars</u>	<u>2019</u>	<u>2018</u>
Trade receivables	₱ 107,151,896	₱ 89,916,809
Notes receivables	143,865,021	143,865,021
Due from related parties (Note 29)	5,308,917	5,308,907
Other receivables	<u>40,991,324</u>	<u>40,876,159</u>
Subtotal	297,317,158	279,966,896
Less: Allowance for probable losses	<u>(149,004,715)</u>	<u>(148,129,986)</u>
Total	₱ <u>148,312,443</u>	₱ <u>131,836,910</u>

Trade receivables are non-interest bearing and are generally on 30 to 60 days' credit terms.

The notes receivable bear interest at 3.5% per annum and are payable in 365 days on demand, subject to renewal upon mutual consent. Notes receivable are considered impaired and covered with allowance for probable losses; accordingly, no interest income was recognized in 2019 and 2018.

Due from related parties are noninterest bearing and have no fixed repayment terms.

Other receivables pertain to advances subject for liquidation.

The movements in the allowance for probable losses follow:

<u>Particulars</u>	<u>2019</u>	<u>2018</u>
Balance at beginning of year	₱ 148,129,986	₱ 146,617,144
Reversal of allowance	-	-
Provision for the year (Note 27)	874,729	1,570,666
Write-off during the year	-	(57,824)
Balance at end of year	₱ <u>149,004,715</u>	₱ <u>148,129,986</u>

NOTE 12 – OTHER CURRENT ASSETS, NET

As of December 31, the account consists of:

<u>Particulars</u>	<u>2019</u>	<u>2018</u>
Creditable withholding taxes	₱ 9,300,295	₱ 9,300,295
Input taxes	8,306,739	9,137,875
Prepayments and others	9,928,703	12,438,957
Refundable deposits	<u>4,400,801</u>	<u>4,395,221</u>
Subtotal	31,936,538	35,272,348
Less: Impairment loss	<u>(12,886,123)</u>	<u>(12,886,123)</u>
Total	₱ <u>19,050,415</u>	₱ <u>22,386,225</u>

NOTE 13 – ASSET HELD FOR SALE

Asset held for sale amounting to ₱366,185,828 and ₱368,819,938 as of December 31, 2019 and 2018, respectively, which constitutes 54% and 61% of the Group's total assets as of December 31, 2019 and 2018, respectively, represents advances to Polymax, the Group's special purpose entity incorporated in British Virgin Islands solely for the purpose of acquiring the petrochemical plant of NPCA as discussed in Note 2.

On March 18 and September 20, 2006, Polymax's interest in NPCA of 40% and 20%, respectively, was sold. Thereafter, management decided to discontinue operations and ceased operating as a going concern. The remaining 40% interest of Polymax in NPCA, which is for sale, is valued at ₱900 million, which is the estimated recoverable amount from the sale of the investment. The realization of the Group's advances to Polymax and the settlement of Polymax's past due liabilities related to the asset for sale, for which the Group is jointly and severally liable, are dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPCA, which is for sale. In this regard and to ensure the recoverability of the Group's advances to Polymax, the Group's major stockholders issued a letter of comfort in favor of the Group on September 30, 2014.

During 2014, 20% of the 40% remaining interest of Polymax in NPCA was sold. To reiterate assurance of the collectability of the Group's advances to Polymax, a comfort letter dated April 10, 2015 was issued by the major stockholders of the Group.

On December 16 and 22, 2015, the Group was able to collect advances from Polymax amounted to ₱300 million and ₱73 million, respectively.

In 2019 and 2018, the Group made additional collections of the advances from Polymax amounting to ₱2,634,110 and ₱2,551,564, respectively.

Condensed unaudited financial information of Polymax as of December 31, 2019 and 2018 prepared on the liquidation basis of accounting is shown in the table below.

Particulars	2019	2018
Assets		
Cash and cash equivalents	₱ 130,966,060	₱ 130,966,060
Assets held for sale	347,720,000	347,720,000
Due from related parties	108,208,687	110,842,797
Total assets	<u>586,894,747</u>	<u>589,528,857</u>
Liabilities		
Liabilities related to asset held for sale	994,668,446	994,668,446
Due to Metro Alliance Holdings and Equities Corp.	366,185,828	368,819,938
Other payable	49,030,000	49,030,000
Total liabilities	<u>1,409,884,274</u>	<u>1,412,518,384</u>
Capital deficiency	₱ <u>822,989,527</u>	₱ <u>822,989,527</u>

Assets held for sale of Polymax pertains to the estimated recoverable value of Polymax's remaining 20% interest in NPCA.

Due from related parties of Polymax represents amount due from the Wellex Group of companies.

Liabilities related to asset held for sale of Polymax pertain to past due liabilities, which were obtained to finance the purchase of 100% ownership interest in NPCA. The Group is jointly and severally liable with Polymax with respect to these past due liabilities.

Polymax's share in the net income of NPCA amounted to ₱98,859,341 in 2019 and its share in net loss of NPCA amounted to ₱61,380,058 in 2018. However, these were not recognized in both years so that the carrying value of Polymax's investment in NPCA will not fall below its estimated recoverable value.

NOTE 14 – FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As of December 31, the account consists of:

Particulars	2019	2018
At acquisition cost	₱ 16,270,963	₱ 16,270,963
Cumulative fair value gain – in equity	<u>4,938,322</u>	<u>6,375,322</u>
Total	₱ <u>21,209,285</u>	₱ <u>22,646,285</u>

The investment in securities consists of investment in shares of stock of a publicly listed Group whose fair value is based on published prices on Philippine Stock Exchange; and unquoted equity investment carried at cost.

The reconciliation of the carrying amounts of investments is as follows:

Particulars	2019	2018
Beginning balance	₱ 22,646,285	₱ 26,669,885
Additions	-	-
Fair value gain (loss)	<u>(1,437,000)</u>	<u>(4,023,600)</u>
Total	₱ <u>21,209,285</u>	₱ <u>22,646,285</u>

Movements in the net unrealized gain on equity instruments financial assets are as follows:

Particulars	2019	2018
Beginning balance	₱ 6,375,322	₱ 10,398,922
Fair value gain (loss)	<u>(1,437,000)</u>	<u>(4,023,600)</u>
Total	₱ <u>4,938,322</u>	₱ <u>6,375,322</u>

The net unrealized gain on equity investments are deferred and presented separately as fair value reserve under the equity section of the consolidated financial position.

NOTE 15 – FINANCIAL ASSETS AT AMORTIZED COST

During 2019, the Company invested with Philippine Depository and Trust Corporation (PDTC) through Security Bank. The bond has a face value of 2,000,000 with an interest rate of 4.50% and will mature on June 28, 2021.

Total interest income earned of the investments amounted to ₱38,632 on December 31, 2019.

Carrying amount of the bond investment on December 31, 2019 amounted to ₱2,038,632. Management considers the carrying amount recognized in the statements of financial position to be reasonable approximation of their fair values.

The Company has no debt investments in 2018.

NOTE 16 – PROPERTY AND EQUIPMENT, NET
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As of December 31, 2019, this account consists of the following:

Particulars	Beginning Balances	Additions/ Provisions	Disposals/ Adjustments	Ending Balances
Cost:				
Leasehold improvements	₱ 2,368,234	254,143	-	₱ 2,622,377
Machinery and equipment	27,637,455	2,741,533	(2,619,228)	27,759,760
Office furniture, fixtures, and computer equipment	15,936,841	1,496,187		17,433,028
Right-of-use asset	-	106,304,776	-	106,304,776
Total	<u>45,942,530</u>	<u>110,796,639</u>	<u>(2,619,228)</u>	<u>154,119,941</u>
Accumulated depreciation:				
Leasehold improvements	1,811,245	313,158	-	2,124,403
Machinery and equipment	23,038,314	1,941,826	(2,529,330)	22,450,810
Office furniture, fixtures, and computer equipment	14,372,085	790,244	-	15,162,329
Right-of-use asset	-	32,798,271	-	32,798,271
Total	₱ <u>39,221,644</u>	<u>35,843,499</u>	<u>(2,529,330)</u>	₱ <u>72,535,813</u>
Net Book Value	₱ <u>6,720,886</u>			₱ <u>81,584,128</u>

As of December 31, 2018, this account consists of the following:

Particulars	Beginning Balances	Additions/ Provisions	Disposals/ Adjustments	Ending Balances
Cost:				
Leasehold improvements	₱ 2,282,149	86,085	-	₱ 2,368,234
Machinery and equipment	24,461,743	3,175,712	-	27,637,455
Office furniture, fixtures and computer equipment	14,675,944	1,260,897	-	15,936,841
Total	<u>41,419,836</u>	<u>4,522,694</u>	<u>-</u>	<u>45,942,530</u>
Accumulated depreciation:				
Leasehold improvements	1,513,473	297,772	-	1,811,245
Machinery and equipment	21,708,259	1,330,055	-	23,038,314
Office furniture, fixtures and computer equipment	13,774,080	598,005	-	14,372,085
Total	₱ <u>36,995,812</u>	<u>2,225,832</u>	<u>-</u>	₱ <u>39,221,644</u>
Net Book Value	₱ <u>4,424,024</u>			₱ <u>6,720,886</u>

For both years 2019 and 2018, the Company has determined that there is no indication that an impairment loss has occurred on its property and equipment.

In 2019, the Company sold transportation equipment with a total net book value of ₱89,898 for net proceeds of ₱387,200, which resulted to a net gain on disposal amounting to ₱297,302. There are no disposals in 2018.

Depreciation expense is recognized under cost of services and general and administrative expense. To wit:

Particular	2019	2018
Cost of services (Note 25)	34,345,476	2,083,825
General and administrative expenses (Note 27)	1,498,023	142,007
Total	<u>35,843,499</u>	<u>2,225,832</u>

NOTE 17 – OTHER NON-CURRENT ASSETS

As of December 31, this account is composed of the following:

	2019	2018
Refundable deposits, non-current portion	₱ 5,916,695	₱ 3,907,915
Intangible assets	535,266	1,031,491
Total	₱ <u>6,451,961</u>	₱ <u>4,939,406</u>

Intangible assets pertain to non-exclusive software license costs for use in MCLSI's warehouse management system.

The carrying amount of intangible assets as of December 31, 2019 is as follows:

Particulars	Beginning Balances	Additions/ Amortization	Disposals/ Adjustments	Ending Balances
Cost:				
Short messaging	₱ 135,135	-	-	₱ 135,135
Warehouse management system	1,309,910	-	-	1,309,910
Caerus accounting system	1,025,000	-	-	1,025,000
SAP Business one	1,825,646	-	-	1,825,646
Total	4,295,691	-	-	4,295,691
Accumulated depreciation:				
Short messaging	135,135	-	-	135,135
Warehouse management system	1,309,910	-	-	1,309,910
Caerus accounting system	1,025,000	-	-	1,025,000
SAP Business one	794,155	496,225	-	1,290,380
Total	₱ 3,264,200	496,225	-	₱ 3,760,425
Net Book Value	₱ <u>1,031,491</u>			₱ <u>535,266</u>

The carrying amount of intangible assets as of December 31, 2018 is as follows:

Particulars	Beginning Balances	Additions/ Amortization	Disposals/ Adjustments	Ending Balances
Cost:				
Short messaging	₱ 135,135	-	-	₱ 135,135
Warehouse management system	1,309,910	-	-	1,309,910
Caerus accounting system	1,025,000	-	-	1,025,000
SAP Business one	<u>1,242,446</u>	<u>583,200</u>	-	<u>1,825,646</u>
Total	<u>3,712,491</u>	<u>583,200</u>	<u>-</u>	<u>4,295,691</u>
Accumulated depreciation:				
Short messaging	135,135	-	-	135,135
Warehouse management system	1,309,910	-	-	1,309,910
Caerus accounting system	1,025,000	-	-	1,025,000
SAP Business one	<u>381,615</u>	<u>412,540</u>	-	<u>794,155</u>
Total	<u>₱ 2,851,660</u>	<u>412,540</u>	<u>-</u>	<u>₱ 3,264,200</u>
Net Book Value	<u>₱ 860,831</u>			<u>₱ 1,031,491</u>

Intangible assets which have been fully amortized were due to MCLSI's management assessment that these will no longer provide a future economic benefit to the Company.

NOTE 18 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Details of this account are as follows:

Particulars	2019	2018
Current portion		
Trade payables	₱ 65,587,770	₱ 78,398,357
Accrued expenses	171,350,127	170,135,117
Other current liabilities	<u>37,681,592</u>	<u>37,767,651</u>
Subtotal	<u>274,619,489</u>	286,301,125
Non-current portion		
Accrued expenses	<u>123,438,803</u>	<u>123,438,803</u>
Total	<u>₱ 398,058,292</u>	<u>₱ 409,739,928</u>

Trade payables are noninterest bearing and have credit terms of 30 to 60 days.

Accrued expenses include provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered.

Provisions relate to pending claims jointly and severally against the Group and Polymax and pending claims and tax assessment solely against the Group. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the outcome of the related claims and tax assessments.

During 2018, the Group reclassified to non-current portion the accruals made which pertains to management fee, reserve for contingency BIR and accrued interest-Unimark amounting to ₱39,685,406, ₱83,753,397 and ₱52,876,888, respectively. These are not expected to be settled within one year or the Group's operating cycle, whichever is longer.

Other liabilities mainly pertain to payable to government agencies.

NOTE 19 – LEASE LIABILITY

Lease liability relates to liability recognized in relation to the adoption of PFRS 16. As of December 31, 2019, the Company's determined incremental rate used is 5%. No lease liability was recognized in 2018.

As of December 31, 2019, this account consists of the following:

Particulars	Amount
Lease liability	
Current	₱ 25,452,454
Noncurrent	49,633,157
Total	₱ <u>75,085,611</u>

Interest expense pertaining to lease liability amounted to ₱2,726,765 for the year ended December 31, 2019 and nil on December 31, 2018 (Note 26).

In 2019, movement includes:

Particulars	Amount
Beginning balance	₱ -
Additions	107,383,491
Payments	(32,297,880)
Total	₱ <u>75,085,611</u>

NOTE 20 – DUE TO RELATED PARTIES

Details of this account are as follows:

Particulars	2019	2018
The Wellex Group Inc (TWGI)	₱ 52,877,088	₱ 52,876,888
Acesite (Phils.) Hotel Corporation	5,627,202	5,627,202
Others	654,257	447,478
Total	₱ <u>59,158,547</u>	₱ <u>58,951,568</u>

The amounts due to related parties pertain to unsecured and noninterest bearing advances provided to the Group to finance its working capital requirements, capital expenditures, Petrochemical Project support and for other investments and have no definite repayment terms (Note 29).

NOTE 21 – INCOME TAXES

a. The components of the Group's provision for (benefit from) income tax are as follows:

Particulars	2019	2018	2017
Current tax expense	₱ 7,860,795	₱ 5,650,951	₱ 8,031,350
Deferred tax expense (benefit)	(795,103)	(803,982)	529,575
Aggregate tax expense	₱ <u>7,065,692</u>	₱ <u>4,846,969</u>	₱ <u>8,560,925</u>

b. The reconciliation of the provision for (benefit from) income tax loss computed at the statutory tax rate with the provision for (benefit from) income tax shown in the consolidated statements of comprehensive income is as follows:

Particulars	2019	2018	2017
Provision for income tax loss at statutory tax rate	₱ 7,516,538	₱ 4,886,515	₱ 7,492,741
Tax effects of:			
Interest income subject to final tax	(68,356)	(39,054)	(72,513)
Unallowable interest and other expenses	412,613	803,490	611,122
Deferred tax assets	(795,103)	(803,982)	529,575
	₱ 7,065,692	₱ 4,846,969	₱ 8,560,925

c. The components of Group's net deferred tax assets are the tax effects of the following:

Particulars	2019	2018	2017
Deferred tax assets:			
Allowance for probable losses	₱ 1,101,615	₱ 839,196	₱ 444,708
Accrued retirement benefits costs	1,191,228	1,132,617	1,133,110
Unrealized foreign exchange loss	2,234,033	2,234,033	2,234,033
Tax effect of leases under PFRS 16	473,467	-	-
Reversal as prior year's adjustments	410,593	409,987	-
NOLCO	-	-	718,221
	5,410,936	4,615,833	4,530,072
Deferred tax liability	-	-	-
Net deferred tax assets	₱ 5,410,936	₱ 4,615,833	₱ 4,530,072

d. Deferred tax assets of the Group and its non-operating subsidiaries amounting to ₱51,118,201, ₱51,717,634, and ₱50,379,389 as of December 31, 2019, 2018 and 2017, respectively, pertaining to the items shown below, have not been recognized as management believes that the Group and its non-operating subsidiaries may not have sufficient taxable profits or tax liabilities against which these deferred tax assets may be utilized.

Particulars	2019	2018	2017
Allowance for probable losses	₱ 158,020,909	₱ 158,020,909	₱ 158,020,909
NOLCO	11,403,408	13,401,520	8,940,702
Accrued retirement benefits costs	969,685	969,685	969,685
Total	₱ 170,394,002	₱ 172,392,114	₱ 167,931,296

The NOLCO can be claimed as deduction from regular taxable income as follows:

Year incurred	Amount	Applied	Expired	Balance	Expiry date
2019	₱ 2,723,726	₱ -	₱ -	₱ 2,723,726	2022
2018	3,955,171	-	-	3,955,171	2021
2017	4,724,511	-	-	4,724,511	2020
2016	4,721,838	-	4,721,838	-	2019
2015	678,768	-	678,768	-	2018
Total	₱ 16,804,014	₱ -	₱ 5,400,606	₱ 11,403,408	

The deferred tax asset amounting to ₱514,590 was set-up as the tax effect of NOLCO incurred in 2016. In 2018, the management believed that it may not be utilized due to insufficient future taxable profits and tax liabilities hence closed to Retained Earnings account prior expiration. Same with the expired deferred tax asset on NOLCO incurred in 2015 amounting to ₱203,630, such were also closed to Retained Earnings account in 2018.

NOTE 22 – SHARE CAPITAL

a. The Group’s share capital as of December 31, 2019 and 2018 consists of the following common shares:

Particulars	2019	2018
Class “A” – ₱1 par value		
Authorized – 720,000,000 shares with par value of ₱1	₱ <u>720,000,000</u>	₱ <u>720,000,000</u>
Issued and outstanding – 183,673,470 shares with par value of ₱1	₱ <u>183,673,470</u>	₱ <u>183,673,470</u>
Number of equity holders	<u>629</u>	<u>629</u>
Class “B” – ₱1 par value		
Authorized – 480,000,000 shares with par value of ₱1	₱ <u>480,000,000</u>	₱ <u>480,000,000</u>
Issued and outstanding – 122,448,979 shares with par value of ₱1	₱ <u>122,448,979</u>	₱ <u>122,448,979</u>
Number of equity holders	<u>404</u>	<u>404</u>
Additional Paid-in Capital	₱ <u>3,571,923</u>	₱ <u>3,571,923</u>

The two classes of common shares are identical in all respects, except that Class “A” shares are restricted to Philippine nationals and the total number of Class “B” shares is limited to two-thirds of the total outstanding Class “A” shares.

b. On July 25, 2003, the Group’s stockholders approved the increase in authorized capital stock from ₱1.2 billion consisting of 1.2 billion shares to ₱5 billion consisting of 5 billion shares, both with par value of ₱1 per share. The increase did not push through because of dispute in the acquisition of the Petrochemical Project, which was finally settled in 2013 as discussed in Note 2. After final settlement of the dispute, the Group’s management has decided to pursue the said increase in authorized capital stock of the Group.

NOTE 23 – CUMULATIVE DEFICIT

This account consists of cumulative balance of periodic earnings and prior period adjustments, if any.

As of December 31, the account consists of the following:

Particulars	2019	2018	2017
Cumulative deficit, beginning	₱ (220,343,298)	₱ (222,096,817)	₱ (234,043,783)
PFRS 16 transition adjustment (Note 3)	(1,078,718)	-	-
Prior period adjustment (Note 32)	121,040	-	8,408,500
Recognition of expired and closing of unutilized NOLCO	-	(718,220)	-
Cumulative deficit, as adjusted	<u>(221,300,976)</u>	<u>(222,815,037)</u>	<u>(225,635,283)</u>
Net income (loss) based on the face of equity investments	13,927,064	3,362,865	21,968,182
Add: Non-actual gain/unrealized loss			
Unrealized loss (gain) on re-measurement of equity investments	1,437,000	4,023,600	(9,340,500)
Remeasurement loss (gain) on retirement plan	(195,369)	1,642	(2,054,944)
Less: Non-controlling interest in net income	<u>(8,737,885)</u>	<u>(4,916,368)</u>	<u>(7,034,272)</u>
Net income (loss) actual/realized	<u>6,430,810</u>	<u>2,471,739</u>	<u>3,538,466</u>
Cumulative deficit, end	₱ <u>(214,870,166)</u>	₱ <u>(220,343,298)</u>	₱ <u>(222,096,817)</u>

NOTE 24 – SALE OF SERVICES

For the years ended December 31, 2019, 2018 and 2017, the account comprises of sale of services amounting to ₱318,405,100, ₱286,713,151, and ₱224,220,913, respectively.

NOTE 25 – COST OF SERVICES

For the years ended December 31, the account consists of:

Particulars	2019	2018	2017
Personnel costs	₱ 96,373,912	₱ 101,473,644	₱ 87,587,102
Transportation and travel	71,485,018	58,556,421	35,479,886
Rent and utilities	40,604,868	69,188,530	40,273,008
Depreciation (Note 16)	34,345,476	2,083,825	1,526,517
Security services	6,246,144	5,651,174	6,518,707
Outside services	4,426,831	1,092,928	3,382,128
Repairs and maintenance	642,864	526,375	551,322
Communication and office supplies	304,376	141,343	437,774
Others	5,697,370	6,637,839	1,693,854
Total	₱ <u>260,126,859</u>	₱ <u>245,352,079</u>	₱ <u>177,450,298</u>

Others include software maintenance expense, insurance, and other consumable charges.

NOTE 26 – OTHER INCOME (EXPENSE), NET

For the years ended December 31, the account consists of:

Particulars	2019	2018	2017
Interest income (Note 10)	₱ 229,016	₱ 131,349	₱ 242,685
Other income	361,590	224,976	11,510
Miscellaneous	-	206,065	-
Subtotal	<u>590,606</u>	<u>562,390</u>	<u>254,195</u>
Interest expense (Note 19)	<u>(2,726,765)</u>	-	-
Net	₱ <u>(2,136,159)</u>	₱ <u>562,390</u>	₱ <u>254,195</u>

NOTE 27 – GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended December 31, the account consists of:

Particulars	2019	2018	2017
Personnel costs	₱ 16,481,221	₱ 11,636,026	₱ 9,955,806
Communication and supplies	2,985,203	2,221,872	1,694,507
Taxes and licenses	2,441,001	1,889,662	2,745,280
Professional fees	1,633,904	1,551,802	2,804,643
Depreciation (Note 16)	1,498,023	142,007	407,552
Rent and utilities	1,289,101	1,318,388	1,210,935
Provision for probable losses (Notes 11)	874,729	1,570,666	2,189,120
Entertainment	536,996	455,668	2,077,981
Amortization of intangible assets (Note 17)	496,225	412,540	292,758
Insurance	134,776	183,926	53,399

Transportation and travel	68,859	127,345	382,589
Others	<u>5,467,657</u>	<u>8,178,484</u>	<u>4,076,577</u>
Total	₱ <u>33,907,695</u>	₱ <u>29,688,386</u>	₱ <u>27,891,147</u>

Other expenses include foreign exchange losses, outside services fee and miscellaneous expenses.

NOTE 28 – RETIREMENT BENEFITS COSTS

The Group has an unfunded, non-contributory defined benefit retirement plan providing retirement benefits to its regular employee. MCLSI has a funded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of MCLSI's fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date.

The following tables summarize the components of net retirement expense recognized in the consolidated statements of comprehensive income and the funding status and amounts recognized in the consolidated financial position.

The components of retirement expense which were charged to operations are as follows:

Particulars	2019	2018	2017
Current service cost	₱ 1,378,700	₱ 1,303,982	₱ 1,233,313
Interest cost	<u>303,922</u>	<u>221,386</u>	<u>279,245</u>
Total retirement expense	₱ <u>1,682,622</u>	₱ <u>1,525,368</u>	₱ <u>1,512,558</u>

The details of the retirement obligation recognized in the consolidated financial position are as follows:

Particulars	2019	2018	2017
Present value of benefit obligation	₱ 8,045,420	₱ 6,357,971	₱ 4,833,310
Fair value of plan assets	<u>(284,443)</u>	<u>(84,246)</u>	<u>(86,592)</u>
Liability recognized in the financial position	₱ <u>7,760,977</u>	₱ <u>6,273,725</u>	₱ <u>4,746,718</u>

The changes in present value of retirement obligation are as follows:

Particulars	2019	2018	2017
Present value of obligation at beginning of year	₱ 6,357,971	₱ 4,833,310	₱ 6,255,525
Current service cost	1,378,700	1,303,982	1,233,313
Interest cost on benefit obligation	303,922	221,386	273,266
Actuarial gain (loss)	4,827	(707)	(2,928,794)
Benefits paid	-	-	-
Present value of obligation at end of year	₱ <u>8,045,420</u>	₱ <u>6,357,971</u>	₱ <u>4,833,310</u>

The changes in the fair value of plan assets and actual return on plan assets are as follows:

Particulars	2019	2018	2017
Fair value of plan assets at beginning of year	₱ 84,246	₱ 86,592	₱ 85,731
Expected return on plan assets	4,827	-	(5,979)
Actuarial gain (loss) on plan assets	195,370	(2,346)	6,840
Benefits paid	-	-	-
Fair value of plan assets at end of year	₱ <u>284,443</u>	₱ <u>84,246</u>	₱ <u>86,592</u>

Movements in the net liability recognized in the current period are as follows:

Particulars	2019	2018	2017
Liability recognized at beginning of the year	₱ 6,273,725	₱ 4,746,718	₱ 6,169,794
Retirement expense	1,682,622	1,525,368	1,512,558
Other comprehensive (income) loss	(195,370)	2,346	(2,935,634)
Deferred tax		(707)	
Benefits paid	-	-	-
Liability recognized at end of the year	₱ <u>7,760,977</u>	₱ <u>6,273,725</u>	₱ <u>4,746,718</u>

Particulars	2019	2018	2017
Retirement benefits costs – OCI, beginning	₱ 8,709,543	₱ 8,712,596	₱ 5,995,166
Actuarial gain (loss) recognized	279,100	(2,346)	2,935,634
Deferred tax	(83,730)	(707)	(880,690)
Retirement benefits costs – OCI, ending	₱ 8,904,913	₱ 8,709,543	₱ 8,050,110
Percentage of ownership	51%	51%	51%
Equity holders of parent	₱ <u>4,541,506</u>	₱ <u>4,441,867</u>	₱ <u>4,105,556</u>

The major categories of plan assets are as follows:

Particulars	2019	2018	2017
Cash and cash equivalents	₱ 578	₱ 312	₱ 812
Investment in Unit Investment Trust Funds	283,865	83,934	85,780
Total	₱ <u>284,443</u>	₱ <u>84,246</u>	₱ <u>86,592</u>

The assumptions used to determine retirement benefits costs for the years ended December 31 are as follows:

Particulars	2019	2018	2017
Discount rate	5.73%	5.73%	5.73%
Salary increase rate	3.00%	3.00%	3.00%

The expected rate of return on plan assets assumed at a range of 5% to 6% was based on a reputable fund trustee's indicative yield rate for a risk portfolio similar to that of the fund with consideration of the funds' past performance.

A quantitative sensitivity analysis for significant assumption as at December 31, 2019 is as shown below:

	Sensitivity Level			
	1% Increase		1% Decrease	
Impact on Net Defined Benefit Obligation	In %	Amount	In %	Amount
Discount rate	6.73%	3,533,948	4.73%	4,245,920
Future salary increases	4.00%	4,278,704	2.00%	3,500,367

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The discount rate and the future salary increase rate assumed was 5.73% and 3.00%, respectively.

The average duration of the defined plan obligation at the end of the reporting period is 15.59 years for 2019, 2018 and 2017.

NOTE 29 - RELATED PARTY TRANSACTIONS

a. Due from/to related parties

The amounts due to related parties pertain to unsecured and noninterest bearing advances provided to the Group to finance its working capital requirements, capital expenditures, Petrochemical Project support and for other investments and have no definite repayment terms.

b. Payables for shared operating expenses

On November 30, 2011, Gulf Agency Group Holdings (BV) and the Group executed a Deed of Assignment in which the former offered to assign, transfer, cede and convey to the latter all its rights, title and interests in and to its shares, and the latter has accepted the offer. Accordingly, the former's shares were cancelled on May 7, 2012.

In accordance with the Deed of Assignment, it is agreed that the outstanding liabilities of MCLSI with Gulf Agency Group Holdings (BV) referred to in the Memorandum of Agreement dated November 30, 2011 will be honored and paid, should the latter's shares be sold to other persons.

c. Compensation of key management personnel follows:

<u>Particulars</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Short-term employee benefits	₱ <u>18,191,466</u>	₱ <u>18,398,157</u>	₱ <u>17,938,847</u>

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under their respective entity's retirement plan.

d. The related relationships and amounts applicable to the Group's transactions with related parties as of December 31, 2019 and 2018 are as follows:

<u>Name of the related party</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>Country of incorporation</u>
The Wellex Group, Inc.	Affiliate	Holding company	Philippines
Metro Combined Logistics Solutions, Inc.	Subsidiary	Third party logistics and warehousing	Philippines
Polymax Worldwide Limited	Affiliate	Series of acquisition transaction	British Virgin Island
Acesite (Phils.) Hotel Corporation	Affiliate	Hotel business and other accommodations	Philippines

Particulars	Terms and Conditions	Transactions		Outstanding Balance	
		2019	2018	2019	2018
Due from related parties:					
The Wellex Group, Inc.	Non-interest bearing and unsecured borrowing; Expected to be settled in cash	₱ -	₱ -	₱ 5,258,610	₱ 5,258,610
Metro Combined Logistics, Inc.	Non-interest bearing and unsecured borrowing; Expected to be settled in cash	10	-	18,934	18,924
Others	Non-interest bearing and unsecured borrowing; Expected to be settled in cash	-	-	31,373	31,373
Total (Note 11)		₱ 10	₱ -	₱ 5,308,917	₱ 5,308,907
Advances (Asset held for Sale):					
Polymax (Note 13)	Represents 20% share investment in NPCA	₱ (2,634,110)	₱ (2,551,564)	₱ 366,185,828	₱ 368,819,938
Due to related parties:					
Acesite (Phils.) Hotel Corporation	Non-interest bearing and unsecured borrowing; Expected to be settled in cash	₱ -	₱ -	₱ 5,627,202	₱ 5,627,202
The Wellex Group, Inc.	Funding for working capital requirements	200	-	52,877,088	52,876,888
Others	Non-interest bearing and unsecured borrowing; Expected to be settled in cash	206,779	(264,151)	654,257	447,478
Total (Note 20)		₱ 206,979	₱ (261,151)	₱ 59,158,547	₱ 58,951,568

NOTE 30 – LEASE AGREEMENT

As a lessor

The rent income recognized for the years ended December 31, 2019 and 2018 amounted to ₱39,517,592 and ₱44,350,053, respectively.

As a lessee

The Group entered into several lease agreements covering its office premises and warehouses. Terms of the lease agreements range from 1 year to 5 years under renewable options. Other leases entered into include clauses to enable upward revision of the rental charged on an annual basis - based on prevailing market rates.

Under PFRS 16, A lessee may elect not to apply the requirements of this standard to:

- (a) short-term leases; and
- (b) leases for which the underlying asset is of low value.

Short-term leases

In 2019, the Group entered into lease agreement with term of 1 year, ending November 2020, under renewable options. The Group has elected not to recognize a lease liability for short term leases (leases of expected term of 12 months or less). Payments made under such lease are expensed on a straight-line basis. The expense relating to payments not included in the measurement of the lease liability amounted to ₱601,988.

As permitted by PFRS 16, the Group applied the modified retrospective approach to existing operating leases which are capitalized under the new standard (i.e. retrospectively, with the cumulative effect recognized at the

date of initial application as an adjustment to the opening balance of retained earnings with no restatement of comparative information in the financial statements).

Thus, in 2018 and 2017, no restatement was made to the recognized rent expenses amounting to ₱35,490,383 and ₱40,241,013, respectively.

In 2019, the Group entered into lease agreements with terms ranging from 2 to 5 years, ending April 2020, May 2021 and October and November 2024. All are under renewable options.

Following the adoption of PFRS 16, the Group recognized right-of-use asset and lease liability over the life of the lease. The asset is calculated as the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received.

Present value of right-of-use asset as of December 31, 2019 is as follows:

Lessors	Beginning Balance	Additions	Interest	Payments (Principal & Interest)	Present Value (Year-end)
Chatellane Holding Co. Inc.	₱ 27,402,525	₱ 43,108,257	₱ 1,494,221	₱ 15,909,861	₱ 56,095,142
BF Holdings, Inc.	5,812,974	-	248,678	2,112,660	3,948,992
Filipinas Benson Industrial & Development Corporation	5,817,115	-	298,727	6,192,720	3,861,908
JB Realty and Development Corporation	5,349,270	3,938,786	123,352	5,472,622	-
VY Industrial Builders, Inc.	729,668	14,989,920	557,135	5,156,782	11,119,941
The Wellex Group, Inc.	234,975	-	4,651	175,349	59,628
	<u>₱ 45,346,527</u>	<u>₱ 62,036,963</u>	<u>₱ 2,726,764</u>	<u>₱ 35,019,994</u>	<u>₱ 75,085,611</u>

As of December 31, 2019, the Group's right-of-use asset, net of accumulated depreciation, and lease liability amounted to ₱73,506,505 (Note 16) and ₱75,085,611 (Note 19), respectively.

Consequently, the Group recognized depreciation expense and interest expense as reduction to the carrying amount of the right-of-use asset and lease liability amounting to ₱32,798,271 (Note 16) and ₱2,726,765 (Note 26), respectively.

NOTE 31 – LOGISTICS AGREEMENT

MCLSI has agreements with principals to provide logistics operations services, specifically warehousing and managing delivery of the principals' products to their key accounts and sub-distributors nationwide. Under the terms of these agreements, the principals shall pay MCLSI the agreed monthly fees plus reimbursement of certain warehouse expenses.

NOTE 32 – PRIOR PERIOD ADJUSTMENT

In 2019, the Group's operations were adjusted to effect the error in recording accounts payable amounting to ₱121,040.

Accounts	Beginning Balance as of January 1, 2019	Adjustments/ Corrections	Adjusted Beginning Balance
Accounts payable and accrued expenses	409,739,928	(121,040)	409,618,888
Cumulative deficit	(220,343,298)	121,040	(220,222,258)

In 2017, the Group's operations were restated to effect the adjustment relating to reversal of accrued expenses amounting to ₱8,408,500 recognized in prior years; for which assessment revealed that the Group is no longer liable.

Accounts	Beginning Balance as of January 1, 2017	Adjustments/ Corrections	Adjusted Beginning Balance
Accounts payable and accrued expenses	454,086,364	(8,408,500)	445,677,864
Cumulative deficit	(234,043,783)	8,408,500	(225,635,283)

NOTE 33 – BASIC INCOME PER SHARE

The following table presents the information necessary to compute the basic income per share attributable to equity holders of the Group:

Particulars	2019	2018	2017
Net income loss attributable to equity holders of the Parent Company	₱ 6,430,810	₱ 2,471,739	₱ 3,538,466
Weighted average number of common shares	<u>306,122,449</u>	<u>306,122,449</u>	<u>306,122,449</u>
Basic income per share	₱ <u>0.021</u>	₱ <u>0.008</u>	₱ <u>0.012</u>

NOTE 34 – OTHER MATTERS

As of December 31, 2019, the Group has the following legal cases:

a. *Metro Alliance vs. Commissioner of Internal Revenue*

On July 5, 2002, the Parent Company received a decision from the Court of Tax Appeals (CTA) denying the Parent Company's Petition for Review and ordering the payment of ₱83.8 million for withholding tax assessments for the taxable years 1989 to 1991. The Parent Company filed a Motion for Reconsideration on July 31, 2002 but this was subsequently denied by the CTA. A Petition for Review was filed with the CTA on November 8, 2002, which was also denied by the CTA. The Parent Company then appealed the decision of the CTA to the Court of Appeals (CA), which likewise denied the appeal and upheld the assessment against the Parent Company. The Parent Company, through its legal counsel, filed a Motion for Reconsideration with the CA in December 2003.

On July 9, 2004, the Parent Company received the CA resolution denying the Motion for Reconsideration. On July 22, 2004, the Parent Company filed with the CA a Motion for Extension of time to file an appeal to the Supreme Court (SC). On August 20, 2004, the Parent Company filed said appeal. On October 20, 2004, the Parent Company received the resolution of the SC denying its Petition for Review for lack of reversible error. The Parent Company filed a Motion for Reconsideration. On January 10, 2005, the SC issued an Order stating that it found no ground to sustain the Parent Company's appeal and dismissed the Parent Company's petition with finality.

On April 26, 2006, the Parent Company filed a Petition for Review before the CTA en banc. On March 7, 2007, the CTA en banc dismissed the Petition for lack of merit. The CTA en banc affirmed the CTA's decision granting the Motion for Issuance of Writ of Execution filed by the Commissioner of Internal Revenue.

As of December 31, 2019, the Parent Company has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable. Management believes, however, that the ultimate outcome of the case will not have a material effect on the Parent Company consolidated financial statements.

b. Metro Alliance and Philippine Estate Corporation vs. Philippine Trust Parent Company, et al., Civil Case SCA#TG- 05-2519, RTC Tagaytay City Branch 18

On September 14, 2005, the Parent Company (MAHEC) and Philippine Estate Corporation (PHES) filed a Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, and Annulment in Decrease in Interest rates, Service Charge, Penalties and Notice of Sheriffs Sale, plus Damages with prayer for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction. The case stemmed from imminent extra-judicial foreclosure of four (4) mortgaged Tagaytay lots covered by Transfer Certificate of Title (TCT) Nos. T-355222, T-35523, T-35524 and T-35552 subject to the Real Estate Mortgage executed by MAHEC and PHES securing ₱280 million loan last December 2003.

On October 6, 2005, the Regional Trial Court (RTC) of Tagaytay City issued and granted the Writ of Preliminary Injunction (first injunction). The preliminary injunction issued by the RTC stopping the foreclosure was nullified by both Court of Appeals and Supreme Court, after which Philtrust proceeded to foreclose, and acquired those properties for only ₱165.8 million. When MAHEC and PHES failed to redeem, Philtrust consolidated title and Tagaytay registry issued new TCTs cancelling PHES' TCT. On October 10, 2011, MAHEC filed Notice *Lis Pendens* vs. four (4) new TCTs of Philtrust.

The case is now back to Tagaytay RTC for trial hearings under new acting Judge Jaime Santiago. MAHEC and PHES already presented witnesses. Next trial hearing was set on April 12, 2016 for presentation of plaintiff's last witness for explanation of why the checks issued in 2004 in favor of Philtrust Bank intended to settle the loan were all dishonored and were returned unpaid.

The Parent Company was able to get the formal trial started and on-going. The Parent Company's most important move was the presentation of a very competent real estate appraiser, realtor, Cesar Santos, who was able to successfully defend in court his ₱811.6 million valuation of the foreclosed Tagaytay properties. Trial hearings are on-going and it is now defendant Bank's turn to adduce evidence. Plaintiffs have closed their evidence presentation wherein all offered evidences were admitted, over the objections of defendant Bank. At the last hearing held on December 6, 2016, defendant Bank's star witness was subjected to Plaintiff's cross examination wherein they obtained many damaging admissions against the Bank. Plaintiff's counsels' cross-examination resumed at trial hearing last April 25, 2017.

Damages sought are ₱1,000,000 as and by way of exemplary damages and ₱500,000 as and by way of attorney's fees; litigation expenses and cost of suit.

On February 21, 2019, the defense presented its second witness, Mr. Godofredo Gonzales, an appraiser of Philippine Trust Parent Company. However, the cross-examination of the witness was reset to June 27, 2019.

On October 17, 2019, Philtrust submitted a Formal Offer of Evidence in Regional Trial Court.

As of December 31, 2019, the Parent Company has not received any order of execution relative to this case.

c. MAHEC, POLYMAX & WELLEX vs. Phil. Veterans Bank., et al., Civil Case #08-555 now SC GR. No. 240495 and 240513, RTC Makati Branch 145

The case is an injunction suit with damages filed on July 23, 2008 in RTC-Makati to nullify the foreclosure of Pasig lot securing a ₱350 million loan obtained by MAHEC, Polymax and Wellex. Initially, Temporary Restraining Order (TRO) and preliminary injunction was issued, but afterwards, it was lifted, enabling Philippine Veterans Bank (PVB) to foreclose. In successive certiorari cases that plaintiffs filed, both Court of Appeals (CA) and Supreme Court (SC) upheld PVB. Worse yet, due to major lapse of the plaintiff's original counsels, *lis pendens* on foreclosed Pasig lot was cancelled, and in March 2012, PVB sold the lots to Zen Sen Realty Development Corporation who got new Transfer Certificate of Title (TCT). The above case was consolidated with other case of affiliated Parent Company with the same RTC. In 2013, Parent Company's legal counsel brought Zen Sen Realty Development Corporation as defendant also, and prayed that the PVB sale to it be nullified. In October 2014, Parent Company's legal counsel dropped Zen Sen Realty as an unnecessary defendant, after which DECISION was rendered vs. PVB on January 9, 2015, declaring the ₱550M loan (total loan of MAHEC, Polymax, Wellex and other affiliated companies) as fully paid, and even over-paid; discharging all the mortgages, and voiding the 2012 sale made to Zen Sen. PVB was ordered to refund to plaintiffs the ₱3.25 million overpayment. PVB filed a motion for reconsideration which was denied. PVB filed Notice of Appeal to Court of Appeal on May 8, 2015, which the Parent Company's legal counsel

questioned as defective, but the RTC ruled against the Parent Company in its May 12, 2015 Order. The consolidated case is now on appeal in the Court of Appeals as CA-GR CV #105323. Appellant-defendant Bank filed last December 2016 its Appellant's Brief. The Parent Company's legal counsel is given 45 days to file their Brief and eventually requested for another 30 days extension to finish and file said Appellees' Brief.

Upon appeal thereof by both parties, the Court of Appeals rendered its Decision dated June 29, 2017, partly granting PVB's appeal, and declared that: (a) the legal interest of 12% per annum be applied to the principal amounts; and (b) that MAHEC, et al. remain liable to pay PVB the amount of ₱69.7 million as of November 2006. MAHEC, et al. filed their "Motion for Reconsideration" dated July 31, 2017. The Court of Appeals rendered its Amended Decision dated February 28, 2018, stating that the outstanding obligation of MAHEC, et al., if any, shall earn interest at 6% per annum from July 1, 2013 onwards, pursuant to Central Bank Circular No. 799. The Court of Appeals denied PVB's Motion for Reconsideration thereof in its Resolution dated July 2, 2018.

On August 24, 2018, MAHEC, et al. filed with the Supreme Court its "Petition for Review on Certiorari" dated August 22, 2018. This was consolidated with PVB's "Petition for Review" dated August 24, 2018, which was previously raffled to the Supreme Court's Third Division.

In G.R. No. 240495, Parent Company received a copy of PVB's "Comment/Opposition" dated October 30, 2019. On December 4, 2019, MAHEC, et al. filed "Motion to Admit Reply" with attached Reply, both dated November 28, 2019.

In G.R. No. 240513, MAHEC, et al. already "Comment (On the Petition for Review dated August 24, 2018)" dated August 30, 2019. To date, however, MAHEC, et al. have not yet received a copy of PVB's reply.

d. MAHEC, POLYMAX, Renato B. Magadia (Metro Parent Company/plaintiffs) vs NPC International Limited, et al. (NPC Parent Company/defendants) Civil Case No. R-PSG 19-02106, RTC Pasig City Branch 159

On August 1, 2019, the Company filed a case for Mismanagement and Damages. This case stemmed from the gross mismanagement and gross negligence attributable to the NPC Parent Company, in conspiracy with its appointed NPCA directors and management officers.

A joint venture was entered into by Metro Parent Company and NPC Parent Company, sometime in 2003 for the acquisition of the petrochemical plant. However, the joint venture did not make any money from its inception and during all of the 14 years of operation. NPCA, the joint venture company, did not record any net income from the time it was incorporated in 2005 until the present time, notwithstanding the supposed advantage of the parent and affiliates of the NPC Parent Company having ready source of raw materials. The unexplained continuing inaction and nonchalance of the NPCA Management in the face of the mounting losses coupled with the unfettered control of the NPC Parent Company on the operations of the Plant points to gross mismanagement amounting to criminal or reckless imprudence, or at the very least, civil negligence.

On August 13, 2019, the application for the issuance of a Temporary Restraining Order (TRO) filed by the Metro Parent Company against the NPC Parent Company was set for hearing. In support of their application, Metro Parent Company presented its lone witness Mr. Renato Magadia.

On September 18, 2019, the plaintiffs filed an Urgent Omnibus Motion for Production of Documents and Request to Reset Preliminary Injunction Hearing. Thus, the preliminary injunction hearing set on September 26 was cancelled and reset to November 14, 2019. The defendants filed a Motion to Refer Dispute to Arbitration on October 15, 2019 due to the Stockholder's Agreement dated December 16, 2005. On the other hand, plaintiff's comment stated that the Settlement Agreement dated August 27, 2013 superseded the previous Stockholder's Agreement.

In November 11, 2019, Elma M. Rafallo-Lingan, the presiding judge, denied the Motion for Production/Copying Documents and directed the defendant NPCA to furnish Annual Audited Financial Statements for the last ten years within 10 days from the date of said order.

Further, the defendants filed a Motion *Ad Cautelam* to drop Renato B. Magadia as Plaintiff. Renato B. Magadia, one of the plaintiffs in this case, died on October 18, 2019. Mr. Magadia joined in the action under pretext that he is a stockholder of NPCAC.

In February 3, 2020, Elma M. Rafallo-Lingan, Presiding Judge, ordered the Motion for Referral for Arbitration as denied. Meanwhile, the Motion *Ad Cautelam* to drop Renato B. Magadia as Plaintiff was granted.

- e. There are also other pending minor legal cases against the Parent Company. Based on the facts of these cases, management believes that its positions have legal merits and the resolution thereof will not materially affect the Parent Company's financial position and result of operations.

METRO ALLIANCE HOLDINGS AND EQUITIES CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES

I	Supplemental schedules required by Revised SRC Rule Annex 68-J	
A	Financial Assets	<u>Attached</u>
B	Amounts receivables from directors, officers, employees, related parties and principal stockholders (other than related parties)	<u>Attached</u>
C	Amounts receivables and payable from/to related parties which are eliminated during consolidation process of financial statements	<u>Attached</u>
D	Intangible assets - other asset	<u>Attached</u>
E	Long-term debt	<u>Not applicable</u>
F	Indebtedness to related parties (Long-term loans from related parties)	<u>Not applicable</u>
G	Guarantees of securities of other issuers	<u>Not applicable</u>
H	Capital Stock	<u>Attached</u>
II	Schedule of all the effective standards and interpretations	<u>Attached</u>
III	Reconciliation of retained earnings available for dividend declaration	<u>Not applicable</u>
IV	Map of the relationships of the Parent Company within the Parent Company	<u>Attached</u>
V	Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration as required by Revised SRC Rule Annex 68-D	<u>Attached</u>
VI	Schedule of Financial Soundness Indicators as required by Revised SRC Rule Annex 68-E	<u>Attached</u>

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

I. SUPPLEMENTAL SCHEDULES REQUIRED BY REVISED SRC RULE ANNEX 68-J AS AT DECEMBER 31, 2019

SCHEDULE A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and rates	Amount shown in the financial position	Value based on market quotation at end of reporting period	Income received and accrued
<i>Financial assets at amortized cost</i>				
Cash	-	₱ 32,982,656	₱ 32,982,656	₱ 229,016
Trade and other receivables, net	-	148,312,443	148,312,443	-
Investment in debt security	-	2,038,632	2,038,632	-
Refundable deposits	-	10,317,496	10,317,496	-
Subtotal		<u>193,651,227</u>	<u>193,651,227</u>	<u>229,016</u>
<i>Financial assets at FVOCI</i>				
Waterfront Philippines, Inc	-	8,621,990	8,621,990	-
Taguig Lake City Development	-	12,500,000	12,500,000	-
Others	-	87,295	87,295	-
Subtotal		<u>21,209,285</u>	<u>21,209,285</u>	
Total		₱ <u>214,860,512</u>	₱ <u>214,860,512</u>	₱ <u>229,016</u>

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

Name and designation of debtor	Balance at beginning of period	Amounts (collected) /transferred	Amounts written-off	Current	Non-current	Balance at end of period
Polymax Worldwide Limited (special purpose entity)	₱ 368,819,938	2,634,110	-	-	366,185,828	366,185,828
The Wellex Parent Company, Inc	5,258,610	-	-	5,258,610	-	5,258,610
Metro Combined Logistics, Inc.	18,934	-	-	18,934	-	18,934
Others	31,373	-	-	31,373	-	31,373
Total	₱ <u>374,128,855</u>	<u>2,634,110</u>	<u>-</u>	<u>5,308,917</u>	<u>366,185,828</u>	<u>371,494,745</u>

SCHEDULE C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected/ consolidated	Amounts written-off	Current	Non-current	Balance at end of period
Due to related party Metro Combined Logistics Solutions, Inc	₱ -	500,000	-	-	500,000	-	<u>500,000</u>

SCHEDULE D. Intangible Assets – Other Assets

Description	Balance at beginning of period	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Balance at end of period
SAP Business One	₱ 1,031,491	-	496,225	-	-	535,266

SCHEDULE E. Long-term Debt

Title of issue	Amount authorized by indenture	Amount shown under caption “Current portion of long-term debt”	Amount shown under caption “Long term debt” in related financial position
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Not Applicable

SCHEDULE F. Indebtedness to Related Parties (Long Term Loans from Related Parties)

Name of related party	Balance at beginning of period	Amount shown under caption “Current portion of long-term debt”
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Not Applicable

SCHEDULE G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the Parent Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
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Not Applicable

SCHEDULE H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers, and employees	Others
Common – Class A	720,000,000	183,673,470	-	156,590,387	125,115	26,957,968
Common – Class B	480,000,000	122,448,979	-	85,139,552	22,001,000	15,308,427
Total	1,200,000,000	306,122,449	-	241,729,939	22,126,115	42,266,395

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARES

II. SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS AS AT DECEMBER 31, 2019

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION
Schedule of Philippine Financial Reporting Standards

The following table summarizes the effective standards and interpretations as at December 31, 2019:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements				
	Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary				
	Philippine Financial Reporting Standards			
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Meaning of Effective PFRSs	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Parent Company Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
	Amendment of PFRS 2: Classification and Measurement of Share- Based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting to Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Adopted	Not Applicable
	Instruments with PFRS 4			
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendment to PFRS 5: Sale of Controlling Interest in the Subsidiary			✓
	Amendment to PFRS 5: Changes in methods of disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
	Amendment to PFRS 6: Transition Relief			✓
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	✓		
	Amendment to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9			✓
	Amendment to PFRS 7: Servicing Contracts and Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Disclosures of Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments	✓		
	Financial Instruments: Classification and Measurement of Financial Liabilities	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Reissue to incorporate a hedge accounting chapter and permit early application of the requirements for			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Adopted	Not Applicable
	presenting in other comprehensive income the “own credit” gains or losses on financial liabilities designated under the fair value option without early applying to other requirements of PFRS 9			
	Financial Instruments (final version), incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture			✓
	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 Acquisition of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Applying the Consolidation Exception			✓
	Amendments to PFRS 12: Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-Term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers			✓
PFRS 16	Leases	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Classification of Derivatives as Current or Non-Current	✓		
	Amendments to PAS 1 - Classification of Liabilities as Current	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of Statement of Changes in Equity	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Comparative information	✓		
	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 Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation on Revaluation			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41, Agriculture; Bearer Plants			✓
PAS 17	Leases	✓		
	Amendments to PAS 17: Classification of Land Leases			✓
PAS 18	Revenue	✓		
	Amended by IAS 39 Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 18: Guidance for Determining Whether an Entity is Acting as a Principal or as an Agent.			✓
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Parent Company Plans and Disclosures	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution	✓		
	Amendments to PAS 19: Discount Rate: Regional Market			✓
PAS 19 (Amended)	Employee Benefits	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 19R: Plan Amendment, Curtailment or Settlement			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
	Amendment to PAS 23: Requirement of Capitalization of Borrowing Cost			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments for investment entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures			✓
PAS 28 (Amended)	Amendments to PAS 28: Investment Entities – Applying the Consolidation Exception			✓
	Amendments to PAS 28: Long-term Interest in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Equity Distributions	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Disclosure of information ‘Elsewhere in the Interim financial report’	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Disclosure of Estimates Used to Determine a Recoverable Amount	✓		
	Amendments to PAS 36: Units of Accounting for Goodwill Impairment Testing Using Segments Under PFRS 8 Before Aggregation			✓
	Amendments to PAS 36: Recoverable Amount	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Adopted	Not Applicable
	Disclosures for Non- Financial Assets			
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Proportionate Restatement of Accumulated Depreciation on Revaluation			✓
	Amendments to PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 38: Measurement of Intangible Assets in Business Combinations			✓
	Amendments to PAS 38: Proportionate Restatement of Accumulated Depreciation Under the Revaluation Method			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast IntraParent Company Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	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 Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Reclassifications of Financial Assets	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property			✓
	Amendments to PAS 40: Transfers of Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants			✓

Philippine Interpretations

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	<i>Amendments to IFRIC 9: Prepayment Features with Negative Compensation</i>			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2- Parent Company and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	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			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
	Amendments to Philippine Interpretations IFRIC 16: Entity That Can Hold Hedging Instruments			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
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			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Adopted	Not Applicable
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
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-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

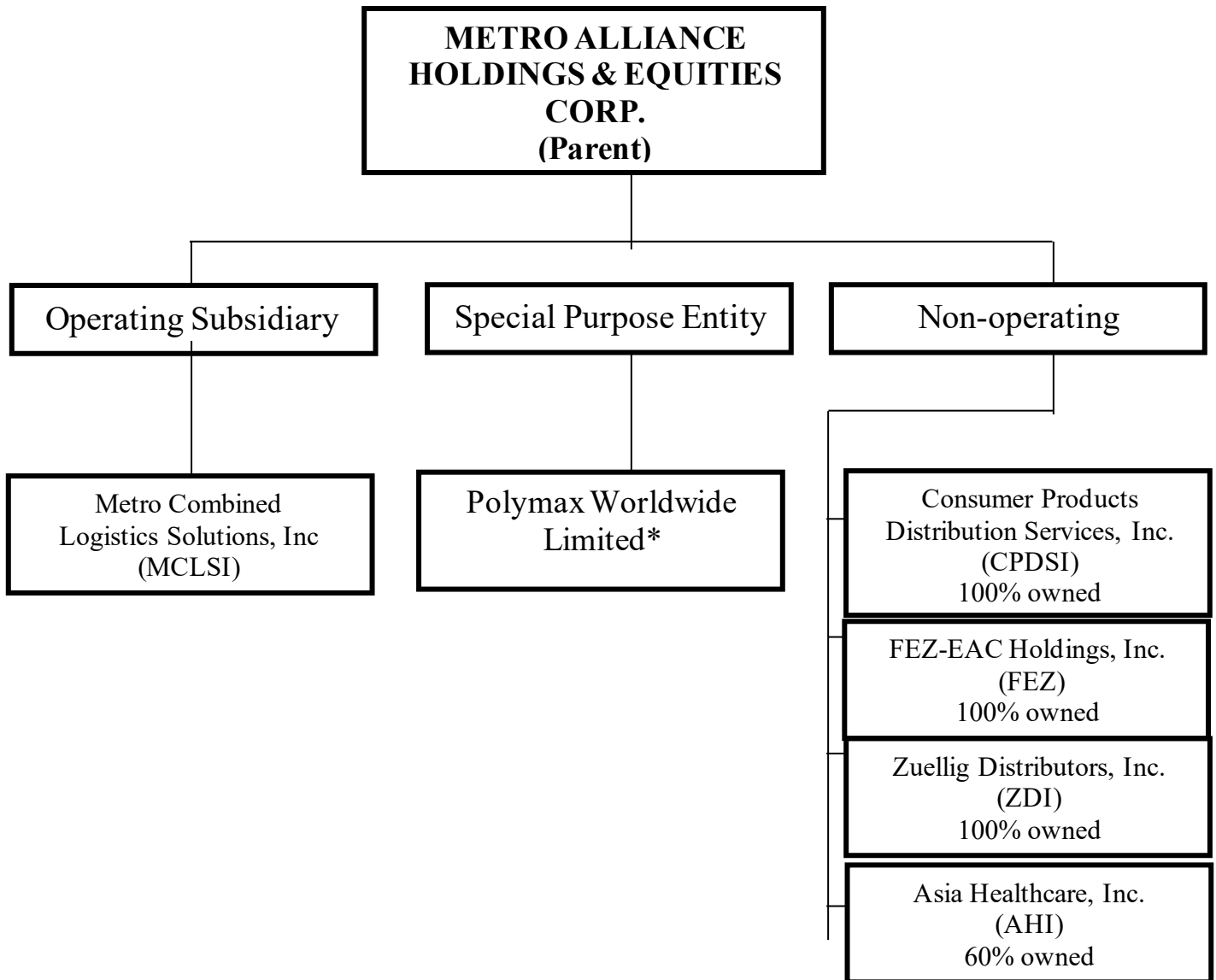
III. RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION FOR THE YEAR ENDED DECEMBER 31, 2019

Not applicable*

*The Parent Company's Retained Earnings as of December 31, 2019 did not exceed its 100% of paid-in capital stock since it is in deficit position

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

IV. MAP OF THE RELATIONSHIP OF THE PARENT COMPANY WITHIN THE PARENT COMPANY FOR THE YEAR ENDED DECEMBER 31, 2019



*Polymax Worldwide Limited was excluded from the consolidated financial statements since 2007 because the entity is no longer operating as a going concern and is in the process of liquidation.

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION

V. SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS REQUIRED BY SRC RULE ANNEX 68-D FOR THE YEAR ENDED DECEMBER 31, 2019

Items	2019	2018
Unappropriated Retained Earnings, beginning	₱ (88,715,918)	₱ (86,089,339)
Adjustments:		
Prior period adjustments	-	-
Dividends declared/paid during the year	-	-
	(88,715,918)	(86,089,339)
Unappropriated Retained Earnings, as adjusted, beginning	(88,715,918)	(86,089,339)
Net Income (Loss) based on the face of AFS	(4,080,969)	(6,650,179)
Less: Non-actual/unrealized income net of tax		
• Equity in net income/(loss) of associate/joint venture	-	-
• Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)		
Unrealized actuarial gain	-	-
• Fair value adjustment (M2M gains)	-	-
• Fair value adjustment of Investment Property resulting to gain adjustment due to deviation from PFRS/GAAP-gain	-	-
• Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	1,437,000	4,023,600
Add: Non-actual losses		
• Depreciation on revaluation increment (after tax)	-	-
• Adjustment due to deviation from PFRS/GAAP – loss	-	-
• Loss on fair value adjustment of investment property (after tax)	-	-
FMV gain/(loss) transferred to equity as a result of disposal of equity investment at FVOCI	-	-
Gain/(loss) from disposal of financial assets at FVOCI	-	-
Net Income Actual/Realized	-	-
Unappropriated Retained Earnings, as adjusted, ending	₱ (91,359,887)	₱ (88,715,918)

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARES

VI. SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS AS REQUIRED BY REVISED SRC
RULE ANNEX 68-E FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Financial Ratios</u>	<u>Formula</u>	<u>2019</u>	<u>2018</u>
Current / liquidity ratio	Current assets over current liabilities	0.56	0.57
Acid test ratio	Cash plus receivables plus marketable securities over current liabilities	0.50	0.51
Asset to equity ratio	Total asset over total equity	4.77	4.65
Net debt to equity ratio	Total liabilities less cash and cash equivalents over total equity	3.54	3.32
Debt-to-equity ratio	Total liabilities over total equity	3.77	3.65
Solvency ratio	After tax net profit plus depreciation over total liabilities	0.11	0.03
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	7.15	-
Gross profit margin	Gross profit over net revenues	18.30%	14.43%
Net income margin	Net income over net revenues	4.76%	2.58%

***METRO ALLIANCE HOLDINGS & EQUITIES CORP.
AND SUBSIDIARIES***

**Unaudited Financial Statements
For the Quarter Ended
June 30, 2020 and 2019**

Lita Elegio

From: ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>
Sent: Thursday, August 13, 2020 3:12 PM
To: lita.e@metroalliance.com
Subject: Re: Metro Alliance Holdings & Equities Corp._SEC Form 17-Q 2nd Quarter 2020

Dear Customer,

SUCCESSFULLY ACCEPTED
(subject to verification and review of the quality of the attached document)

Thank you.

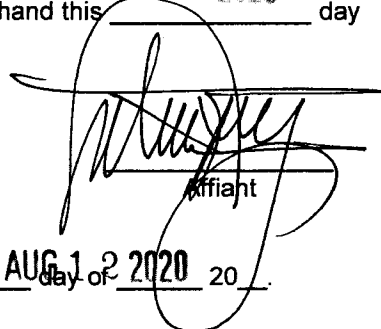
SEC ICTD.

Certification

I, Elvira A. Ting, Chairman of Metro Alliance Holdings and Equities Corp. with SEC registration number 296 with principal office at 35th Flr. One Corporate Center, Dona Julia Vargas, cor Meralco Ave., Ortigas Center, Pasig City, on the oath state:

- 1) That on behalf of Metro Alliance Holdings and Equities Corp. I have caused this Quarterly Report SEC Form 17-Q to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That the company Metro Alliance Holdings and Equities Corp. will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I am fully aware that documents filed online which requires pre-valuation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this AUG 12 2020 day of _____ 20__.


Affiant

SUBSCRIBED AND SWORN before me this AUG 12 2020 day of _____ 20__.

NOTARY PUBLIC

ATTY. JAMES ~~DE~~ ABUGAN
NOTARY PUBLIC

Atty. No. 5442-19

Valid until 01/2020

IBP No. 101043-00000000 Rizal Chapter

Roll No. 2-0113-2-000000

MCLE No. VI-0810000000 4/14/2022

TIN No. 111-211-9356

PTR No. 4333000000 03-03-2020

Tel. No. 635-90-900

Mandaluyong City

MANDALUYONG CITY

DOC. NO. 196
PAGE NO. 41
BOOK NO. 96
SERIES OF 20 MD

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

**QUARTERLY REPORT PURSUANT TO SECTION 11
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the quarterly period ended ...June 30, 2020
2. Commission identification number...296
3. BIR Tax Identification No.....000-130-411-000.
4. **Metro Alliance Holdings & Equities Corp.**
Exact name of issuer 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. **35/F One Corporate Centre, Doña Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig**
Address of issuer's principal office
8. **(632) 8706-7888**
Issuer's telephone number, including area code
9. **Not applicable**
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of the RSA:

<u>Title of Each Class</u>	<u>No. of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Class A	183,673,470
Common Class B	122,448,979
Outstanding Debt	₱ 574,404,273

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

Yes [] No []

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

Philippines Stock Exchange

Common Class A and Class B

12. Indicate by check mark whether the registrant:

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

Yes [] No []

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

Yes [] No []

13. Aggregate market value of the voting stock held by non-affiliates: **Php223,225,508**

14. Not applicable

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached Consolidated Balance Sheets, Income Statements, Changes in Stockholders' Equity, Cash Flows and Notes to Interim Consolidated Financial Statements (Annex A.1 to 5).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Unaudited Income Statement

Income Statement	Amounts in Php			
	Apr. – Jun. 2020	Apr. – Jun. 2019	Jan. – Jun. 2020	Jan. – Jun. 2019
Sales and services	₱53,783,440	₱74,873,318	₱139,382,769	₱145,882,840
Cost of sales and services	(52,362,210)	(65,076,062)	(118,401,904)	(117,053,592)
Gross profit	1,421,230	9,797,256	20,980,865	28,829,248
Expenses	(7,052,030)	(8,062,832)	(15,084,315)	(15,809,834)
Other income	792,856	334,221	989,089	369,882
Net Income Before Tax	(4,837,944)	2,068,645	6,885,639	13,389,296
Income tax expense	-	(4,401,792)	-	(4,401,792)
Net income	(4,837,944)	(2,333,147)	6,885,639	8,987,504
Attributable to:				
Equity Holders of the Parent Company	(2,766,647)	(1,399,724)	2,864,564	4,028,768
Non-controlling interest	(2,071,297)	(933,423)	4,021,075	4,958,736
	(4,837,944)	(2,333,147)	6,885,639	8,987,504
Earnings Per Share – Equity Holders Of the Parent Company	(₱0.0090)	(₱0.0046)	₱0.0094	₱0.0132

Unaudited Balance Sheet

Balance Sheet	Amounts in Php		
	Jun. 30, 2020	Jun. 30, 2019	Dec. 31, 2019
Current assets	₱243,088,096	₱197,473,290	₱200,345,514
Noncurrent assets	481,364,672	410,489,286	482,880,770
Total Assets	724,452,768	607,962,576	683,226,284
Current liabilities	393,571,336	339,069,075	359,230,490
Noncurrent liabilities	180,832,937	129,712,528	180,832,937
Total Liabilities	574,404,273	468,781,603	540,063,427
Stockholder's Equity	150,048,495	139,180,973	143,162,857
Total Liabilities and Stockholder's Equity	₱724,452,768	₱607,962,576	₱683,226,284

The following companies are included in Metro Alliance consolidated financial statement: MCLSI, CPDSI, FEZ-EAC, ZDI and AHI. Due to uncertainties surrounding the acquisition transactions of the Bataan petrochemical plant, the scope of the 2007-2013 audits was completed by the independent auditors and the reports was approved by the Board of Directors on October 10, 2014.

The Group will commence to explore business opportunities. As of report date, biggest contributor to the Group's revenue is its logistic arm, MCLSI when it steadily growing for the past several years after. The Group will reorganize its operations; evaluate its remaining assets; review all pending legal cases; and settle and resolve its outstanding issues with other regulatory government bodies. The Group will focus on traditionally stable industries or sunrise sectors in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

a) Key Performance Indicators

Metro Alliance and its majority-owned subsidiaries key performance indicators follow:

Metro Alliance

Metro Alliance's key performance indicators include the following:

1. Net income
2. Earnings per share – net income attributable to each share of common stock (net income / weighted number of shares outstanding)
3. Return on average equity – ability to generate returns on investment of stockholders (net income / average equity)
4. Debt to total asset ratio – the proportion to total assets financed by creditors (total debt / total assets)
5. Debt to Equity ratio – an indicator of which group has the greater representation in the assets of the company (total debt / equity)

The financial ratios of Metro Alliance are not stable due to its significant investment on the Petrochemical Project.

Metro Alliance (Parent Company) financial statements registered unaudited net loss of ₱1,302,584 for the 2nd quarter of 2020 as compared to the same quarter of 2019 with net loss amounting to ₱1,114,076 or an increase in net loss of ₱188,508 or 16.92%.

Comparative analysis of Metro Alliance's key performance indicators is as follows:

Performance indicator	Jun 30	
	2020	2019
Net Income / (Loss)	(₱1,302,584)	(₱1,114,076)
Income / (Loss) per share	(0.004)	(0.004)
Income / (Loss) on average equity	(0.009)	(0.005)
Debt to total assets	0.454	0.449
Debt to equity	0.830	0.814

MCLSI

MCLSI's key performance indicators include the following:

1. Profitability
 - a. Gross profit margin – measures the profitability of revenues (services) in relation to the cost of services (gross profit / revenues)
 - b. Net profit margin – ability to generate surplus for stockholders (net income / sales)
 - c. Return on assets – ability to generate returns from assets (net income / assets)
 - d. Return on equity – ability to generate returns on investment of stockholders (net income / stockholders equity)
2. Liquidity ratios
 - a. Current ratio – capacity to meet current obligations out of its liquid assets (current assets/current liabilities)
 - b. Receivables turnover and days' sales in receivables – measures the ability to collect receivables (net credit sales / average trade receivables) (365 days / receivables turnover)

The decrease in MCLSI's gross profit resulted mainly from the termination of some contracts. With the decrease in operating income, net profit margin, return on assets and return on equity decreased. Current ratio decreased due to the increase in accruals and other payables. In addition, turnover of receivables resulted to a slower collections compared to last year.

Comparative analysis of MCLSI's key performance indicators on June 30 are as follows:

Performance indicator	2020	2019
<u>Profitability</u>		
a. Gross profit margin	0.151	0.198
b. Net profit margin	0.059	0.069
c. Return on assets	0.028	0.058
d. Return on equity	0.088	0.129
<u>Liquidity</u>		
a. Current ratio	1.657	1.669
b. Receivables turnover	0.665	1.679
c. Days' sales in receivables	548.79	217.44

Consumer Products Distribution Services, Inc. (CPDSI), FEZ-EAC Holdings, Inc.(FEZ-EAC), Zuellig Distributors, Inc. (ZDI) and Asia Healthcare, Inc. (AHI)

Currently, CPDSI, FEZ-EAC, ZDI and AHI have no performance indicators because these are non-operating companies.

b) Changes in Operating Results

Net Income and Earnings Per Share

The Group registered a consolidated net loss of ₱4.8 million for the 2nd quarter of 2020 as against net loss of ₱2.3 million for the 2nd quarter of 2019 or an increase of ₱2.5 million or 1.09% due to lower sales recorded and higher incurred expense for the quarter due to COVID19 pandemic. Loss per share attributable to equity holders of Parent Company are ₱0.009 for the 2nd quarter of 2020 and ₱0.005 for 2019. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group.

Sales and Services

The Group registered gross service revenue of ₱53.8 million and ₱74.9 million for the quarters ended June 30, 2020 and 2019, which decrease the revenue by ₱21.1 million or 28.17%.

Cost of Sales and Services

Total cost of sales and services for the quarters ended June 30, 2020 and 2019 amounted to ₱52.4 million and ₱65.1 million, respectively, with a decrease in cost of sales by ₱12.7 million or 19.51%.

Operating Expenses

Total operating expenses of the Group for the 2nd quarter of 2020 amounted to ₱7.1 million as compared to ₱8.1 million for the 2nd quarter of 2019 or a decrease of ₱1.0 million or 12.35%.

Other income

Other income for the quarters ended June 30, 2020 and 2019 amounted to ₱0.8 million and ₱0.3 million, respectively. The account pertains to interest income and other income not arising from ordinary course of business.

c) Changes in Financial Conditions

Assets

Cash and cash equivalents for the 2nd quarter of 2020 and 2019 amounted to ₱22.6 million and ₱52.0 million, respectively. Net cash flows used in operating activities is ₱12.6 million, net cash flows from investing activities is ₱2.5 million and net cash flows from financing activities is ₱0.3 million.

Receivables amounted to ₱197.3 million as of 2nd quarter of 2020 and ₱126.2 million as of 2nd quarter of 2019 (net of allowance for doubtful accounts). Movement in the accounts is net effect of (a) increase in trade receivable by ₱72.2 million and (b) decrease in other receivable by ₱0.2 million and (c) increase in allowance for doubtful accounts by ₱0.9 million.

Other current assets amounted to ₱23.2 million and ₱19.3 million as of the 2nd quarter of 2020 and 2019 (net of allowance for probable losses of ₱12.9 million). The increase by ₱3.9 million in 2nd quarter of 2020 as against the 2nd quarter of 2019 is net effect of increase in input taxes by ₱1.3 million and other prepayments by ₱2.7 million.

Asset held for sale amounting to ₱364.7 million and ₱367.4 million as of June 30, 2020 and 2019, respectively, which represents advances to Polymax, the Group's special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPC Alliance Corporation (NPCA).

Equity instruments at Fair Value through Other Comprehensive Income (FVOCI) amounted to ₱21.2 million and ₱22.6 million in June 30, 2020 and 2019, respectively. This account includes shares of stocks owned in publicly listed company and unquoted equity investment carried at cost. During the latter part of 2017, the Parent Company made an investment to a non-listed entity, whose primary activity is to engage in real estate development.

Investment in Debt Security

During 2019, the Company invested with Philippine Depository and Trust Corporation (PDTC) through Security Bank. The bond has a face value of 2,000,000 with an interest rate of 4.50% and will mature on June 28, 2021. Carrying amount of the bond investment on June 30, 2020 amounted to ₱2,038,632. Management considers the carrying amount recognized in the statements of financial position to be reasonable approximation of their fair values.

Property and equipment amounted to ₱80.6 million and ₱8.9 million in June 30, 2020 and 2019, respectively. Net increase in property, plant and equipment in 2019 by ₱74.9 million pertains mainly to the new reportable PFRS 16 item, the Right-Of Use Asset, with ₱106.3 million amount and depreciation expense of ₱32.8 million. The Group has no outstanding contractual commitments to acquire certain property and equipment as of June 30, 2020 and 2019, the Group carried out a review of the recoverable amounts of its property and equipment. The Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

Other non-current assets for the 2nd quarters 2020 and 2019 amounted to ₱7.4 million and ₱4.9 million, respectively. This account consists of intangible asset pertaining to non-exclusive software license cost for use in MCSLI's warehouse management system and non-current portion of refundable deposits.

Liabilities

The Accounts payable and accrued expenses – current portion for the quarter ended June 30, 2020 and 2019 amounted to ₱309.3 million and ₱280.8 million, respectively. Trade payables are noninterest bearing and have credit terms of 30 to 60 days. Accrued expense and other liabilities mainly include accruals for manufacturing and operating expenses, other taxes payable, advances from customers and provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered. *Accrued expenses – noncurrent portion* amounted to ₱123,438,803 which composed of management fee, reserve for contingency BIR and accrued interest – Unimark (Note 17).

Lease Liability relates to liability recognized in relation to the adoption of PFRS 16. As of June 30, 2020, the Company's determined incremental rate used is 5%. For the 2nd quarter 2020 and 2019, current lease liability amounted to ₱25.5 million and nil, respectively and as to the noncurrent portion amounted to ₱49.6 million and nil, respectively.

The *Due to related parties* for the 2nd quarter of 2020 and 2019 amounted to ₱58.9 million and ₱58.3 million, respectively. The Group, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayment period. The Group did not provide nor received any guarantee on its transaction with related parties.

Accrued retirement benefit cost amounted to ₱7.8 million and ₱6.3 million as of June 30, 2020 and 2019, respectively. MAHEC and MCLSI has unfunded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date. There is no provision for retirement benefit for 2019 as the management determined that current accrual is sufficient enough to cover retirement benefits of remaining employees. The Group expects no contributions are to be made yet in the future years out of the defined benefit plan obligation.

Summary of Material Trends, Events and Uncertainties

The accompanying consolidated financial statements have been prepared assuming that Group Company will continue as a going concern.

As of June 30, 2020 and 2019, the Group has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₱364.7 million and ₱367.4 million, respectively, relating to the acquisition of the petrochemical plant of Bataan Polyethylene Corporation (BPC) involving a series of acquisition transactions described in the next section below. On the other hand, Polymax (jointly and severally with the Parent Company) has past due liabilities, including interest and penalties, amounting to ₱994.7 million as of June 30 2020 and 2019, respectively, which

were obtained to partially finance the acquisition of the petrochemical plant, resulting from the transfer of past due loans as discussed in the next paragraph.

In 2007, the Parent Company unilaterally transferred to Polymax two significant past due liabilities totaling ₱866.7 million as of December 31, 2006 that were obtained (jointly and severally with Polymax) to partially finance the acquisition of the petrochemical plant, and applied these against the Parent Company's advances to Polymax, in order to reflect the economic substance of the acquisition and related loan transactions. The remaining 20% of Polymax's interest in the petrochemical plant is for sale. The realization of the Parent Company's advances to Polymax (an unconsolidated special purpose entity starting in 2007) and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, depend on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPC Alliance Corporation (NPCA) and from the letter of comfort issued by the Parent Company's major stockholders in favor of the Parent Company.

The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. Management's plan is to infuse additional capital to address the going concern uncertainty.

Legal Cases

Below is the list of legal matters of the Group as of June 30, 2020, which are fully disclosed in Note 28.

- a) Metro Alliance vs. Commissioner of Internal Revenue - Assessment for deficiency withholding taxes for the year 1989, 1990 and 1991
- b) Metro Alliance and Philippine Estate Corporation vs. Philippine Trust Company, et al., Civil Case SCA#TG-05-2519, RTC Tagaytay City Branch 18 - Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sales plus Damages
- c) MAHEC, POLYMAX & WELLEX vs. Phil. Veterans Bank., et al., Civil Case #08-555, RTC Makati Branch 145 now SC GR 2405495 and 240513 - Civil Action with Damages to Nullify the Foreclosure of Property
- d) MAHEC, POLYMAX, Renato B. Magadia (Metro Group/plaintiffs) vs NPC International Limited, et al. (NPC Group/defendants) Civil Case No. R-PSG 19-02106, RTC Pasig City Branch 159 - Corporate Mismanagement and Damages with Application for Temporary Restraining Order and Injunction
- e) There are also other pending minor legal cases against the Parent Company. Based on the facts of these cases, management believes that its positions have legal merits and the resolution thereof will not materially affect the Parent Company's financial position and result of operations.

Events that will Trigger Direct Contingent or Financial Obligation

Having resolved its disputes with foreign parties involved in the Bataan petrochemical project there are no additional known events that will trigger direct or contingent financial obligation that is material to Metro Alliance, including the default of acceleration of an obligation during the reporting period.

Material Off-balance Sheet Transactions, Arrangements, Obligations

There are no off-balance sheet transactions, arrangements, obligations, and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period.

Commitment for Capital Expenditures

Since CPDSI has ceased operations and MVC ceased to be a subsidiary of MAHEC, the Group has no commitment for capital expenditures.

Any Known Trends, Events of Uncertainties (Impact On Net Sales / Net Income)

Since CPDSI, AHI, FEZ-EAC and ZDI have ceased commercial operations and MCLSI is the only operating subsidiary among the Group, sales will rely solely on MCLSI's results of operations.

The Group registered a consolidated net loss of ₱4.8 million for the 2nd quarter of 2020 as against net loss of ₱2.3 million for the 2nd quarter of 2019 or an increase of ₱2.5 million or 1.09% due to lower sales recorded and higher incurred expense for the quarter due to COVID19 pandemic. Loss per share attributable to equity holders of Parent Company are ₱0.009 for the 2nd quarter of 2020 and ₱0.005 for 2019. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group.

The Group registered gross service revenue of ₱53.8 million and ₱74.9 million for the quarters ended June 30, 2020 and 2019, which decrease the revenue by ₱21.1 million or 28.17%.

Significant Element of Income or Loss That Did Not Arise from Continuing Operations

There is no significant element of income or loss that did not arise from continuing operations.

Material Changes on Line Items in the Financial Statements

Material changes on line items in the financial statements are presented under the captions “Changes in Financial Condition” and “Changes in Operating Results” above.

The Group adopted PFRS 16 on the year 2019 which reported a Right-of-Use Asset and Lease Liability (Note 15 and 18).

Effect of Seasonal Changes in the Financial Condition or Results of Operations of the Corporation

The financial condition or results of operations is not affected by any seasonal change.

PART II – OTHER INFORMATION

(1) Market Information

The principal market of Metro Alliance Holdings & Equities Corp.’s common equity is the Philippine Stock Exchange (PSE) where it was listed 1947. The high and low sales prices by quarter for the last three (3) years are as follows:

		Class A		Class B	
		High	Low	High	Low
2020	First Quarter	3.30	0.95	3.30	0.95
	Second Quarter	3.19	1.36	3.19	1.36
2019	First Quarter	2.88	1.67	2.88	1.67
	Second Quarter	1.94	1.44	1.94	1.44
	Third Quarter	1.69	1.02	1.69	1.02
2018	First Quarter	-	-	-	-
	Second Quarter	2.72	2.53	2.87	2.50
	Third Quarter	2.78	1.36	2.78	1.36
	Fourth Quarter	2.46	0.92	2.46	0.92
2017	First Quarter	-	-	-	-
	Second Quarter	-	-	-	-
	Third Quarter	-	-	-	-
	Fourth Quarter	-	-	-	-
2016	First Quarter	-	-	-	-
	Second Quarter	-	-	-	-

The high, low and close market prices are ₱1.70, ₱1.65, ₱1.68 as of August 11, 2020.

(2) Holders

There are 306,122,449 shares outstanding: 183,673,470 shares are Class “A” and 122,448,979 shares are Class “B”. As of June 30, there are 611 holders of Class “A” shares and 390 holders of Class “B” shares.

List of Top 20 Stockholders As of June 30, 2020

	Stockholder's Name	Number of Shares		Percentage
		Class A	Class B	Total
1	PCD NOMINEE CORPORATION (FILIPINO)	43,067,501	30,594,833	24.063
2	CRESTON GLOBAL LIMITED		56,378,388	18.417
3	CHESA HOLDINGS INC.	40,500,000		13.230
4	PACIFIC WIDE REALTY & DEVELOPMENT CORP.	31,498,000		10.289
5	FORUM HOLDINGS CORPORATION	14,442,356	13,432,644	9.106
6	PACIFIC CONCORDE CORPORATION	6,329,500	9,503,908	5.172
7	REXLON REALTY GROUP, INC.	12,200,000	2,673,112	4.859
8	CHARTERED COMMODITIES CORP.	11,296,000		3.690
9	MIZPAH HOLDINGS, INC.	10,128,700		3.309
10	WILLIAM GATCHALIAN	2,091,000	1,481,500	1.167
11	PACIFIC REHOUSE CORP.	1,258,000	1,670,000	0.956
12	FORUM HOLDINGS CORPORATION	1,934,500		0.632
13	PCD NOMINEE CORPORATION (NON-FILIPINO)		1,598,911	0.522
14	TIN FU OR TRAJANO		820,000	0.268
15	CTBC TA# 5-C184: ZUELLIG CORP.	684,829		0.224
16	VICTOR GAN SY	400,000	200,000	0.196
17	W. DUMERMUTH	472,600		0.154
18	VICTOR G. SY	178,000	290,000	0.153
19	AB CAPITAL & INVESTMENT CORPORATION	162,000	268,000	0.140
20	MARY ANGUS BROWN	309,910		0.101

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (In Php)

“Annex A.1”

	30 Jun 20 Unaudited	30 Jun 19 Unaudited	31 Dec 19 Audited
ASSETS			
Current Assets			
Cash (Note 9)	₱22,585,838	₱51,967,205	₱32,982,656
Receivables – net (Note 10)	197,344,147	126,202,234	148,312,443
Other current assets (Note 11)	23,158,111	19,303,851	19,050,415
Total Current Assets	243,088,096	197,473,290	200,345,514
Noncurrent Assets			
Assets held for sale (Note 12)	364,656,836	367,416,621	366,185,828
Equity instrument at FVOCI (Note 13)	21,209,285	22,646,285	21,209,285
Investment in Deby Security (Note 14)	2,038,632	2,000,000	2,038,632
Property and equipment – net (Note 15)	80,599,825	8,870,036	81,584,128
Deferred tax assets – net	5,410,936	4,615,833	5,410,936
Other noncurrent assets (Note 16)	7,449,158	4,940,511	6,451,961
Total Noncurrent Assets	481,364,672	410,489,286	482,880,770
TOTAL ASSETS	724,452,768	607,962,576	683,226,284
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued expenses (Note 17)	309,257,900	280,807,029	274,619,489
Lease Liability	25,452,455	-	25,452,454
Due to related parties (Note 19)	58,860,981	58,262,046	59,158,547
Total Current Liabilities	393,571,336	339,069,075	359,230,490
Noncurrent Liabilities			
Non-current portion of accrued liability	123,438,803	123,438,803	123,438,803
Accrued retirement benefit costs	7,760,977	6,273,725	49,633,157
Deferred tax liability	49,633,157	-	7,760,977
Total Noncurrent Liabilities	180,832,937	129,712,528	180,832,937
Total Liabilities	574,404,273	468,781,603	540,063,427
Stockholders' Equity			
Equity attributable to equity holders of the Parent Company			
Capital stock	306,122,449	306,122,449	306,122,449
Additional paid-in capital	3,571,923	3,571,923	3,571,923
Deficit	(212,005,603)	(216,314,530)	(214,870,166)
Remeasurement gain on retirement plan	4,204,357	4,104,719	4,204,357
Fair value reserve	4,938,322	6,375,322	4,938,322
	106,831,448	103,859,883	103,966,885
Non-controlling interests	43,217,047	35,321,090	39,195,972
Total Stockholders' Equity	150,048,495	139,180,973	143,162,857
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	₱724,452,768	₱607,962,576	₱683,226,284
<i>(The accompanying notes are integral part of these financial statements)</i>			

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Php)

“Annex A.2”

	Unaudited Apr. - Jun. 2020	Unaudited Apr. - Jun. 2019	Unaudited Jan. – Jun. 2020	Unaudited Jan. – Jun. 2019
NET SALES				
Services	₱53,783,440	₱74,873,318	₱139,382,769	₱145,882,840
COST OF SERVICES (Note 21)	(52,362,210)	(65,076,062)	(118,401,904)	(117,053,592)
GROSS PROFIT	1,421,230	9,797,256	20,980,865	28,829,248
Expenses (Note 22)	(7,052,030)	(8,062,832)	(15,084,315)	(15,809,834)
Other income	792,856	334,221	989,089	369,882
INCOME BEFORE INCOME TAX	(4,837,944)	2,068,645	6,885,639	13,389,296
INCOME TAX EXPENSE	-	(4,401,792)	-	(4,401,792)
NET INCOME	(4,837,944)	(2,333,147)	6,885,639	8,987,504
Net income attributable to:				
Equity holders of the parent company	(2,766,647)	(1,399,724)	2,864,564	4,028,768
Minority interests	(2,071,297)	(933,423)	4,021,075	4,958,736
	(4,837,944)	(2,333,147)	6,885,639	8,987,504
Basic/Diluted Income Per Share				
Net loss for the year attributable to the Equity holders of the Parent Company*	(₱0.0090)	(₱0.0046)	₱0.0094	₱0.0132

*Based on the weighted average number of shares of 306,122,449

(The accompanying notes are integral part of these financial statements)

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

“Annex A.3”

	June 30	
	2020	2019
ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY		
Capital Stock - ₱1 par value	₱306,122,449	₱306,122,449
Common shares		
Class “A”		
Authorized - 720,000,000 shares		
Issued and outstanding - 183,673,470 shares		
Class “B”		
Authorized - 480,000,000 shares		
Issued and outstanding - 122,449,979		
Additional Paid-in Capital	3,571,923	3,571,923
Deficit		
Balance at beginning of the year	(214,870,166)	(220,343,299)
Adjustment to beginning balance of retained earnings	-	-
Net income	2,864,563	4,028,768
Balance at end of the period	(212,005,603)	(216,314,531)
Other Reserves:		
Revaluation reserve on available-for-sale financial assets	4,938,322	6,375,322
Remeasurement Gain (Loss) on Retirement Plan	4,204,357	4,104,719
	9,142,679	10,480,041
EQUITY ATTRIBUTABLE TO HOLDERS OF PARENT COMPANY	106,831,448	103,859,882
MINORITY INTERESTS	43,217,047	35,321,090
TOTAL STOCKHOLDERS' EQUITY	₱150,048,495	₱139,180,972

(The accompanying notes are integral part of these financial statements)

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

“Annex A.4”

For the quarters ended June 30,	Unaudited 2020	Unaudited 2019
CASH FROM OPERATING ACTIVITIES		
Income before income tax	₱6,885,639	₱13,389,296
Adjustments for:		
Prior period adjustment	-	-
Change in minority interest	-	(4,958,734)
Depreciation and amortization	2,139,502	1,587,631
Interest income	(27,189)	(72,458)
Operating income (loss) before working capital changes:	8,997,952	9,945,736
Decrease (increase) in receivables	(49,031,704)	5,634,676
Decrease (increase) in prepaid expense and other current	(6,247,198)	3,639,314
Decrease (increase) in other non current	(997,197)	(249,218)
Increase (decrease) in accounts payable and accrued expense	34,638,411	(5,494,096)
Income tax paid	-	-
Net cash flows provided (used in) operating activities	(12,639,736)	13,476,412
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	27,189	72,458
Collection from asset held for sale	1,528,992	1,403,317
Acquisition of property and equipment	984,303	(2,000,000)
Acquisition of equity investments	-	(3,488,669)
Net cash flows provided by (used in) investing activities	2,540,484	(4,012,894)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payment of):		
Dividends paid	-	-
Advances from/(to) related parties	(297,566)	(689,522)
Payment of retirement benefit	-	-
Net cash flows provided by (used in) financing activities	(297,566)	(689,522)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,396,818)	8,773,996
CASH AND CASH EQUIVALENTS – BEGINNING	32,982,656	43,193,209
CASH AND CASH EQUIVALENTS – END	₱22,585,838	₱51,967,206

(The accompanying notes are integral part of these financial statements)

1. CORPORATE INFORMATION

Metro Alliance Holdings and Equities Corporation (MAHEC or the Parent Company), is incorporated in the Philippines. The Parent Company and its subsidiaries (collectively referred to as “the Group”) are involved in contract logistics. Certain subsidiaries previously engaged in the importation and distribution of polypropylene resin and pharmacy management have ceased operations.

The new registered office address of the Parent Company is at 35th Floor One Corporate Center, Dona Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City.

In 2015, the SEC approved the amendment made to Article III of the Group’s Articles of Incorporation in regard to the change of Company’s official business address from 22nd Floor Citibank Tower, 8741 Paseo de Roxas, Makati City to 35th Floor One Corporate Center, Dona Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City.

A regular meeting of the stockholders of Metro Alliance Holdings & Equities Corp. was held on November 16, 2018 for the purpose of, among other purposes, securing the consent of the stockholders for the amendment of the Articles of Incorporation specifically article NINTH to declassify common shares class A and B shares resulting to one common shares and also Article SIXTH to increase the number of directors from Seven to Nine. These amendments were approved by the stockholders and/or their represented proxy during said the meeting and was filed to SEC last May 8, 2019. As of June 30, 2020, the amendment is pending for SEC approval.

2. STATUS OF OPERATION

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Group Company will continue as a going concern.

The Group and Polymax Worldwide Limited (Polymax), its special purpose entity incorporated in British Virgin Island entered into a series of acquisition transactions (see details below) to acquire ownership of the petrochemical plant of NPC Alliance Corp. (NPCA), which resulted in a 2006 disputed sale of Polymax’s 60% interest in NPCA to NPC International Limited (NPCI) and Petrochemical Industries Investment Company (PIIC). Subsequently on August 27, 2013 the Company and Polymax entered into a settlement agreement with NPCI, PII and NPC to resolve the dispute. On the basis of the settlement agreement, the previously issued 2006 consolidated financial statements of the Company and its subsidiaries were restated to reflect the sale of Polymax’s 60% interest in the petrochemical plant.

Management Plan to Address Going Concern Uncertainties

The Group still holds 20% interest in NPC Alliance Corporation (NPCAC) as of June 30, 2020. While this investment is still realizable at substantially higher value than the stated in the books, sufficient provision for possible loss have already been recorded. Recently, it has been determined that the present global petrochemical market conditions have had a dampening effect on the viability of the polyethylene business, especially when coupled with the difficulty in sourcing ethylene feedstock. As a consequence, thereof, and in order to protect our interest, we have filed legal suits against our partners in NPCAC in order to establish full accountability. Among the other options we have presented to our Iranian partners is to consider the take-over of the plant by MAHEC/Polymax together with its potential Chinese partner. The proposal of MAHEC/Polymax is still under consideration by Persian Gulf Petrochemical Industries Corporation (PGPIC), the majority shareholder of NPCA.

MAHEC’s remaining operating subsidiary, Metro Combined Logistics Solutions, Inc. (MCLSI), is steadily growing with additional business from its existing principals. MCLSI is also exploring business opportunities in the transport field, including computer app solutions, warehousing and cold storage; in medical distribution and pharmaceutical business logistics, operation of hospice care and management of medical clinics, importation of medical equipment; and also in document storage, car parking, sea travel, river ferry and airport/seaport terminal management.

Actions of the Group

The Group has remained steadfast to regain its status as a going concern. In line with this, several actions were taken to conserve the Group's resources and build confidence for its business direction:

- a) Commitment by the majority shareholders of the Group to guaranty the recoverable value of the remaining "assets for sale" in its books in order that the Group's equity be preserved;
- b) Pressing the majority shareholders of NPCA to write down the obligation of NPCA to its principal shareholders to pave the way for restructured financial statements;
- c) Increasing the number of Board Directors from 7 to 9 in order to pave the way for a broader representation of stakeholders;
- d) Removing the "A" and "B" classification of the Group shares to integrate common shares into just one class.
- e) Working out a stock rights offer for take advantage of unissued shares from our authorized capital stock.

After the conduct of stock right offering, the Group will pursue its pending application with the SEC to increase its authorized capital stock to ₱5 billion, in order to meet its projected investments. In sum, the Group is expected to satisfy its cash requirements to finance its projected plans and investments in new ventures throughout the calendar year 2020.

Realization of Outstanding Receivables from Polymax Worldwide in the Amount of Php 364,656,836 as of June 30, 2020

Assuming that the 4-way negotiations with the Chinese bank, the Chinese petrochemical firm and the Iranians will bog down, there are other alternatives to address the issue. In order that this outstanding receivable will be fully recovered, a payment via dacion of the remaining 20% NPCA shares held by Polymax in NPC Alliance may be assigned to Metro Alliance, thus, making the Group the direct shareholders of NPCA.

Manpower Requirements

The Group does not expect significant changes in the number of employees as it is still in the stage of exploring new business opportunities. Manpower will be outsourced if needed.

Capital Asset Acquisition

The Group will make purchases of equipment and machines in the future if needed especially when investment in mining industry will materialize.

Acquisition Transactions

On December 4, 2003, the Parent Company entered into a Memorandum of Agreement (MOA) with Polymax, whereby the Parent Company confirmed the designation of Polymax as the acquiring company in the proposed acquisition of the senior secured debt papers of BPC from International Finance Corporation (IFC). Under the MOA, the Parent Company and Polymax agreed that (a) the acquisition of the secured debt paper would be for the account and benefit of the Parent Company; (b) the funding for the acquisition would be provided and arranged by the Parent Company; and (c) the exercise of creditor rights arising from the secured debts via foreclosure and takeover of the assets of BPC would be directed by and for the account and benefit of the Parent Company. In addition, the Parent Company would make certain advances to Polymax.

On December 19, 2003, Polymax and IFC entered into an Assignment and Transfer Agreement (the Agreement) for the purchase by the former of the senior secured debt papers of BPC. The Parent Company advanced to Polymax the initial deposit of US\$5 million, which was remitted to IFC for the assignment payment, pursuant to the terms of the Agreement. On February 11, 2004, IFC confirmed that it has received the full payment for the assignment of the senior secured debt papers of BPC.

To partially finance the Parent Company's advances relating to the Petrochemical Project, the Parent Company obtained short-term loans from local banks. With the delay in the completion of the activities and the conditions required for the Petrochemical Project, the Parent Company was unable to pay the bank loans on maturity dates. As of December 31, 2006, the amounts payable to the banks totaled ₱866.7million, consisting of the outstanding principal balance of ₱378.3million and finance charges of ₱488.4million. In 2007, these past due liabilities were unilaterally transferred to and applied against the advances made to Polymax.

Pursuant to the Parent Company's plan of acquiring full control of BPC, instead of exercising creditor rights, the Parent Company, on April 16, 2004, entered into a Share Purchase Agreement (SPA) with BPC, Tybalt Investment Limited (TIL), BP Holdings International B.V. (BPHI) and Petronas Philippines, Inc. (PPI), with TIL as the purchaser of the 83% interest of the foreign shareholders of BPC. As agreed by the parties, the SPA is to take effect as of March 31, 2004, subject to closing conditions, as defined in the SPA, which the parties have to comply with within a period of 60 days or later if the conditions are not met. On July 7, 2005, Polymax and BPC executed a Deed of Conveyance, transferring to Polymax under an asset for share swap, the petrochemical plant of BPC in exchange for 85million common shares of Polymax with par value of US\$1 per share, or a total par value of US\$85million.

On July 20, 2005, the Parent Company, Polymax and NPC International Limited (NPCI) entered into an SPA which provided that, subject to certain conditions, including the transfer of the petrochemical plant of BPC free from encumbrances, NPCI will acquire 60% of the issued share capital of NPCA from Polymax.

On August 9, 2005, Polymax and NPCA executed a Deed of Conveyance, transferring to NPCA, under an asset for share swap, the same petrochemical plant in exchange for 4.8million shares of common stock of NPCA with a total par value of ₱4.8billion, resulting in 100% ownership interest of Polymax in NPCA.

On November 15, 2005, BPC and Polymax executed a Deed of Assignment whereby BPC transferred and conveyed to Polymax all its rights and interest to Polymax's 85 million shares of common stock, with a total value of US\$85million, in exchange for the discharge of a portion of BPC's secured debt, which was acquired by Polymax from IFC, up to the extent of the value of the shares transferred. Polymax retired the said shares 10 days from the date the Deed of Assignment.

On December 16, 2005, Polymax, NPCI, Petrochemical Industries Investment Company (PIIC) and the Parent Company entered into an amended SPA whereby NPCI and PIIC will purchase 40% and 20% of NPCA's shares of common stock, respectively, from Polymax. In addition to the conditions set forth in the original SPA, the amended SPA also involves advances to be provided by NPCI amounting to US\$15 million representing an advance payment which may be used to fund the bona fide third-party costs of NPCA or BPC for the recommissioning, operation and maintenance of the petrochemical plant or such other third-party cost or expenses, taxes or duties as agreed between Polymax and NPCI. On the same date, the Parent Company, NPCI and PIIC entered into a Guarantee and Indemnity agreement whereby the Parent Company irrevocably and unconditionally guaranteed the prompt performance and observance by Polymax and the payment on demand by Polymax of all moneys, obligations and liabilities, which are now or at any time after the execution of the agreement become due from or owing or incurred by Polymax under or in connection with any of the SPA and the Shareholders' Agreement. The Parent Company also guaranteed that it shall be liable for Polymax's obligations, as if it were a principal debtor, if Polymax's obligations are no longer recoverable from Polymax.

On March 18, 2006, Polymax, NPCI, PIIC and the Parent Company entered into an Agreement of Variation (March 2006 Variation Agreement) to vary and amend the terms of the "Amended and Restated Share Purchase Agreement (ARSPA) and the Shareholders' Agreement" entered on December 16, 2005. Under the March 2006 Variation Agreement, completion of the conditions and conditions subsequent set forth in the ARSPA was extended to April 30, 2006. Moreover, additional conditions that Polymax needs to satisfy prior to completion were agreed upon. On the same date, Polymax and NPCI executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to NPCI all the rights, title and interest in 19,090,000 NPCA shares of common stock, equivalent to 40% ownership interest, for a consideration of ₱1.91billion.

On September 11, 2006, Polymax, NPCI, PIIC, the Parent Company and NPCA entered into another Agreement of Variation (September 2006 Variation Agreement) to further vary and amend the terms of the ARSPA and the Shareholders' Agreement (both initially amended and varied by the March 2006 Variation Agreement). Polymax, in accordance with its obligations under the ARSPA, had notified NPCI and PIIC that it is aware that certain conditions will not be fulfilled by April 30, 2006. As a result, the parties agreed to transfer to PIIC the 9,545,000 NPCA shares of common stock prior to completion, while certain conditions will become conditions subsequent to be completed on December 31, 2006.

On September 20, 2006, Polymax and PIIC executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to PIIC all the rights, title and interest in 9,545,000 NPCA shares of common stock, equivalent to 20% ownership interest, for a consideration of ₱954.5million.

On December 31, 2006, the ARSPA Variation Agreement expired with the conditions subsequent remaining unsettled. Nevertheless, NPCI and PCII took control of the petrochemical plant resulting in a dispute with the Parent Company and Polymax, who considered the sale of Polymax's 40% and 20% interest in the petrochemical plant to NPCI and PCII, respectively, as null and void.

On August 21, 2007, the petrochemical plant started commercial operations under NPCI and PIIC. Subsequently on August 27, 2013, the Parent Company and Polymax entered into a settlement agreement with NPCI, PIIC and NAC to resolve, fully and finally, the dispute arising from the uncompleted acquisition transactions described above. Under the agreement, NCPI shall, among others, pay Polymax the remaining balance of the purchase price of the 60% NPCA shares net of deductions agreed by the parties. Simultaneous with the execution of the agreement, Polymax shall also sell to NPCI an additional 20% of Polymax's interest in NPCA from the remaining 40% equity holding in NPCA at US\$8million or its equivalent in Philippine peso. In September 2013 and August 2014, the remaining balance due to Polymax was paid by NCPI and the 20% interest of Polymax in NPCA was sold to NCPI, respectively, in accordance with the agreement.

As a result of the foregoing settlement, the arbitration tribunal issued on October 2, 2014 an order for withdrawal of the arbitration cases (under the United Nations Commission on International Trade Law Rules of Arbitration), which were earlier filed by the parties due to the dispute arising from their various agreements.

3. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

Statement of Compliance

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) approved by the Philippine Financial Reporting Standards Council (PFRSC) and the SEC.

Statement of Preparation

The consolidated financial statements have been prepared on the accrual basis using historical cost basis, except for equity instruments financial assets that are measured at fair value.

Functional and presentation currency

The consolidated financial statements are prepared in Philippine Peso (₱), which is the Group's functional and presentation currency. All values are rounded off to the nearest Peso, unless otherwise indicated.

Use of judgments and estimates

The preparation of consolidated financial statements in compliance with PFRS requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the consolidated financial statements and their effects are disclosed in Note 5.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company, Metro Alliance Holdings and Equities Corp., and the following subsidiaries:

	Percentage of Ownership	
	2019	2018
Operating subsidiaries:		
Metro Combined Logistics Solutions, Inc. (MCLSI) (formerly GAC Logistics, Inc.)	51%	51%
Non-operating subsidiaries:		
Consumer Products Distribution Services, Inc. (CPDSI)	100%	100%
FEZ-EAC Holdings, Inc. (FEZ-EAC)	100%	100%
Zuellig Distributors, Inc. (ZDI)	100%	100%
Asia Healthcare, Inc. (AHI)	60%	60%

A subsidiary is an entity in which the Parent Company has control. Subsidiaries are consolidated from the date on which control is transferred to the Parent Company and cease to be consolidated from the date on which control is transferred out of the Parent Company.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

Non-controlling Interests

Non-controlling interests represent the interests in subsidiaries which are not owned, directly or indirectly through subsidiaries, by the Parent Company. If losses applicable to the non-controlling interest in a consolidated subsidiary exceed the non-controlling interest's equity in the subsidiary, the excess, and any further losses applicable to non-controlling interest, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good of the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the interest's share of losses previously absorbed by the majority interest has been recovered.

Adoption of new and revised accounting standards

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – This standard will replace PAS 17, *Leases* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' consolidated statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

The Group has initially adopted all the requirements of PFRS 16 Leases from January 1, 2019.

PFRS 16 introduced a single, on-balance sheet accounting model for lessees. The adoption of this new Standard has resulted the Group, as a lessee, in recognizing right-of-use asset, representing its rights to use the underlying asset, and lease liability, representing its obligation to make lease payments, from the date of initial application. Lessor accounting remains similar to previous accounting policies.

Effect on the opening balance

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting PFRS 16 being recognized in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For the purpose of applying the modified retrospective approach, the Group elects to:

- measure the lease liability at the present value of lease payments based on the lessee's incremental borrowing rate over the remaining lease term at the initial application of the contract;
- measure the right-of-use asset retrospectively using the incremental borrowing rate at the initial application, adjusted by depreciation charge computed over the lease term;
- apply the practical expedient to apply a single discount rate to a portfolio of leases with similar characteristics;
- apply the practical expedient to exclude initial direct costs from the right-of-use asset;
- apply the practical expedient to use hindsight when assessing the lease term;
- apply the practical expedient to rely on its assessment that the lease was onerous under PAS 37 and therefore adjust the right-of-use asset at the date of initial application by the onerous lease provision rather than conduct an impairment test; and
- apply the practical expedient not to recognize a right-of-use asset or lease liability to leases for which the lease term ends within 12 months from the date of initial application.

Transition

For any new contracts entered on or after January 1, 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as „a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration“. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- a) the contract contains an *identified asset*, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group,
- b) the Group has the *right to obtain substantially all of the economic benefits* from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract,
- c) the Group has the *right to direct the use* of the identified asset throughout the period of use.

As a lessee

The Group entered into lease agreements with various companies for lease of office premises and warehouses.

As a lessee, the Group previously adopted PAS 17 wherein leases were classified as operating, or finance lease based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under PFRS 16, the Group recognizes right-of-use assets and lease liabilities for its leases.

On the consolidated statements of financial position, right-of-use assets have been included in property and equipment amounting to ₱106,304,776, while the accumulated depreciation amounted to ₱32,798,271 (Note 15) as of June 30, 2020. The carrying amount of lease liability on the consolidated statements of financial amounted to ₱75,085,611 (Note 18) as of June, 2020.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, *Financial Instruments* for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

The Group has adopted all the requirements of PFRS 9 except for hedge accounting.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures* – The amendments clarify that long-term interests in an associate or joint venture that, in substance, form part of the entity's net investment but to which the equity method is not applied, are accounted for using PFRS 9, *Financial Instruments*.

PAS 28 has no impact on the consolidated financial statements of the Group.

- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

Amendments to PAS 19 have no impact on the consolidated financial statements of the Group.

- IFRIC 9, *Prepayment Features with Negative Compensation (Amendments)* - The standard amends the existing requirements in PFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

Amendments to IFRIC 9 have no impact on the consolidated financial statements of the Group.

- IFRIC 23, *Uncertainty over Income Tax Treatments (New)* - The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under PAS 12. It specifically considers:
 - Whether tax treatments should be considered collectively

- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

IFRIC 23 has no impact on the consolidated financial statements of the Group.

New and amended PFRS issued but not yet effective

Relevant new and amended PFRS which are not yet effective for the period ended December 31, 2019 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2021:

IFRIC 17 Insurance Contracts - requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

IFRIC 17 has no significant impact on the consolidated financial statements of the Group.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current/noncurrent classification.

An asset is current when:

- It is expected to be realized or intended to be sold or consumed in normal operating cycle
- It is held primarily for the purpose of trading
- It is expected to be realized within twelve months after the reporting period, or
- Cash on hand and in banks unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as noncurrent.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are summarized below. The policies have been consistently applied to all years presented unless otherwise stated.

Financial assets and financial liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value

through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As of June 30, 2020 and 2019, the Group's cash, trade and other receivables, refundable deposits and investment in debt securities are included under this category.

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Group may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the consolidated statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As of June 30, 2020 and 2019, the Group's equity investments at FVOCI are included under this category.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or

premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As of June 30, 2020 and 2019, the Group's accounts payable and accrued expenses and due to related parties are included under this category.

Reclassification

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of financial assets at amortized cost and FVOCI

The Group records an allowance for "expected credit loss" (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For loan receivables, the Group has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of financial assets and liabilities

Financial Assets. A financial asset (or where applicable, a part of a financial asset or part of a group of

similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the consolidated statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Cash

Cash includes cash funds, undeposited cash collections and customers’ checks. Cash funds are set aside for current purposes such as petty cash fund. Cash in banks include demand deposits which are unrestricted as to withdrawal.

Cash is valued at face value. Cash in foreign currency is valued at the current exchange rate.

The Group recognized cash as current asset when it is not restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Trade and other receivables, net

Trade and other receivables are amounts due from clients for services performed in the ordinary course of business, if collection is expected in one year or less (or in the normal operating cycle of the business longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate (EIR) method, less provision for impairment.

Impairment is considered when there is objective evidence that the Group will not be able to collect the debts.

Other current assets, net

Other assets are recognized when the Group expects to receive future economic benefit from the other party, and the amount can be measured reliably. Other assets are classified in the consolidated statements of financial position as current assets when the cost of goods or services related to the assets are expected to be incurred within one year or the Group's normal operating cycle, whichever is longer. Otherwise, other assets are classified as noncurrent assets.

Asset held for sale

An asset is classified as asset held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is highly probable. Asset held for sale is stated at the lower of its carrying amount and fair value less costs to sell.

Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization of property and equipment commences once the fixed assets are available for use and is calculated on a straight-line basis over the following estimated useful lives:

	Number of Years
Leasehold improvements	5 years or lease term, whichever is shorter
Machinery and equipment	5
Office furniture, fixtures and equipment	3 to 5
Right-of-use asset	2 to 5

Depreciation is computed on the straight-line basis over the estimated useful lives of the depreciable assets. Further, amortization of right-of-use assets is calculated using the straight-line method to allocate their cost, net of residual values, over their estimated useful lives being the lesser of the remaining lease term and the life of the asset.

The remaining useful lives, residual values and depreciation and amortization method are reviewed periodically to ensure that the periods, estimated residual values and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

When an asset is sold or retired, its cost and related accumulated depreciation and amortization and any impairment in value are eliminated from the accounts. Any gain or loss resulting from its disposal is credited to or charged against current operations.

Investment in subsidiary

A subsidiary is an entity, including an unincorporated entity such as a partnership, which is controlled by the Group. The Group has control over an entity if it has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Investment in subsidiary in the Group's consolidated financial statements is carried at cost, less any impairment in the value of the individual investment.

Intangible assets

Intangible assets pertaining to software license costs that are acquired separately are initially carried at cost. Subsequently, intangible assets with definite useful lives are carried at cost less accumulated amortization and impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives, which do not exceed three years.

The remaining useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Impairment of non-financial asset

The carrying values of property and equipment and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses of continuing operations are recognized in the consolidated statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Accounts payable and accrued expenses

Accounts payable and accrued expenses are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced, or formally agreed with supplier including amounts due to employees. It is necessary to estimate the amount of accruals; however, the uncertainty is generally much less than for provision.

Equity

Share capital

Share capital is determined using the nominal value of shares that have been issued.

Additional paid-in capital

Additional paid-in capital includes any premiums received on the initial issuance of share capital. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net

Retained earnings (deficit)

Retained earnings represent the cumulative balance of periodic net income or loss, dividend distribution, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When

retained earnings account has debit balance, it is called “deficit”, and presented as a deduction from equity of tax, from the proceeds.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of revenue can be measured reliably, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, duties and sales taxes. Revenue includes only the gross inflow of the economic benefits received and receivable by the Company on its own account. Amounts collected on behalf of third parties, such as reimbursable transactions are not economic benefits to the Company and do not result in increase in equity; therefore, they are excluded from revenue.

- Logistics and other services is recognized when the related services are rendered.
- Dividend income is recognized when the right to receive the payment is established.
- Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.
- Other income is recognized when earned.

Cost and expenses

Costs and expenses are decreases in economic benefits during the year in the form of outflows or decreases of assets or incurrence of liabilities that result in decreases in equity other than those relating to distribution to equity participants. Costs and general and administrative expenses and interest expense are recognized in consolidated statements of comprehensive income in the period these are incurred.

- *Cost of services* - include direct material costs, personnel expenses, depreciation, utilities and other service-related costs. These are recognized when the services are used or the expenses are incurred.
- *General and administrative expenses* - Expenses incurred in the direction and general administration of day-to-day operation of the Company are generally recognized when the services are used or the expenses incurred.

Leases

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether the contract meets three key evaluations which are whether:

- a) the contract contains an *identified asset*, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group,
- b) the Group has the *right to obtain substantially all of the economic benefits* from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract,
- c) the Group has the *right to direct the use* of the identified asset throughout the period of use.

The Group shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

As a lessor

Lease payment received is recognized as income in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

As a lessee

The Group recognizes right-of-use assets and lease liabilities for its leases.

(a) Right-of-use asset

At the initial application date, the Group recognizes a right-of-use asset on the consolidated statements of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

(b) Lease liability

At the initial application date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Retirement benefits cost

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability or asset recognized in the consolidated statements of financial position in respect of defined benefit pension plans 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 using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of all related pension obligations.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statements of comprehensive income.

Remeasurements comprising actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The cumulative gains or losses arising from the remeasurements are now shown as a separate line item in the consolidated statements of financial position as "remeasurement loss on retirement benefits obligation".

The Group provides for estimated retirement benefits to be paid under Republic Act (RA) No. 7641 to its permanent employee. The amount of retirement benefits is dependent on such factors as years of service and compensation.

Foreign currency transactions and translations

Transactions denominated in foreign currency are recorded in Philippine peso using the prevailing exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated to Philippine peso using the prevailing exchange rate at balance sheet date. Foreign exchange gains or losses arising from the translation at balance sheet date or settlement of monetary items at rates different from those at which they were initially recorded are credited to or charged against current operations.

Income tax

Income tax for the year comprises current and deferred income tax. Income tax is recognized in the Group's consolidated statements of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to tax authority. The tax rates and tax laws used to compute the current tax are those that are enacted and substantively enacted as of balance sheet date.

Deferred tax

Deferred income tax is provided using the balance sheet liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of asset and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the carry forward tax benefit of the net operating loss carryover (NOLCO). The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the carry forward benefit of unused NOLCO can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

Earnings per share

Basic earnings per share are computed by dividing net income by the weighted average number of outstanding shares. The Group has no dilutive potential common shares that would require disclosure of diluted earnings per share in the consolidated statements of comprehensive income.

Segments

The Group's operating businesses are recognized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serve different markets. Financial information on business segments are presented in Note 6.

Provisions

Provisions are recognized only when the Group has (a) a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the

Group expects a provision to be reimbursed, the reimbursement is recognized as a Group asset but only when the receipt of the reimbursement is virtually certain.

Contingencies

Contingent liabilities are not recognized in the Group consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the Group consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events after the reporting date

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as these become reasonably determinable.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Consolidation of SPE

An entity is considered a SPE and included in consolidation even in cases when the Group owns less than one-half or none of the SPE's equity, when the substance of the relationship between the Group and the SPE indicates that the SPE is controlled by the Group. While the Group has no ownership interest in Polymax, this SPE was included in the 2006 consolidated financial statements and prior years. However, starting in 2007, the SPE was no longer consolidated because it had ceased operating as a going concern.

Contingencies

The Group is currently involved in various legal proceedings, which are normal to its business as discussed in Note 28. The Group's estimate of the probable costs for these proceedings and resolution of these claims have been developed in consultation with outside counsel handling the prosecution and defense of these cases and is based upon an analysis of potential results. The Group does not believe that these legal proceedings will have a material adverse effect on its consolidated financial statements. It is possible, however, that changes in estimates relating to these proceedings may materially affect results of operations.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, which have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimating Allowance for Probable Losses

The Group reviews the carrying amounts of receivables, creditable withholding and input taxes (under other current assets) and advances to Polymax (under asset held for sale) at each balance sheet date and reduces the balance of these assets to their estimated recoverable amounts.

Receivables (net of allowance for doubtful accounts of ₱149,004,715 and ₱148,129,986 as of June 30, 2020 and 2019, respectively) amounted to ₱197,344,147 and ₱126,202,234 as of June 30, 2020 and 2019, respectively (Note 10).

The carrying amount of other current assets amounted to ₱23,158,111 and ₱19,303,851 as of June 30, 2020 and 2019, respectively as discussed in Note 11.

In 2020 and 2019, impairment loss, mainly pertaining to creditable withholding and input taxes, amounted to ₱12,886,123 for both years as shown also in Note 11.

Advances to Polymax (under asset held for sale) amounting to ₱364,656,836 and ₱367,416,621 as of June 30, 2020 and 2019, respectively, constitute 50.24% and 60.43% of the Group's total assets at the quarter period 2020 and 2019, respectively. The realization of the Group's advances to Polymax and the settlement of the past due liabilities carried in the books of Polymax, for which the Group is jointly and severally liable, is dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPCA and from the letter of comfort issued by the Group's major stockholders in favor of the Group, as discussed in Note 12.

Estimating Useful Lives and Residual Values of Property and Equipment and Intangible Assets

The Group estimates the useful lives and residual values of its property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives and residual values based on factors that include asset utilization, internal technical evaluation, technological changes, and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property and equipment and intangible assets would increase depreciation and amortization expenses, while an increase in the estimated useful lives would decrease depreciation and amortization expenses.

There has been no change in the Group's estimate of the useful lives and residual values of its property and equipment in June 30, 2020 and 2019.

Evaluation of Impairment of Noncurrent Non-Financial Assets

The Group assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual asset or, if it is not possible, for the cash generating unit to which the asset belongs.

Management believes that there was no indication of impairment on property and equipment as of June 30, 2020 and 2019. As of June 30, 2020 and 2019, property and equipment, net of accumulated depreciation and amortization, amounted to ₱80,599,825 and ₱8,870,036, respectively and total depreciation and amortization charged to operations amounted to ₱1,759,512 and ₱379,991, respectively, for 2nd quarter 2020 and 2019 (Note 15).

Fair value of financial assets and liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires use of accounting estimates and judgment. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., quoted market prices and interest rates). In the case of those financial assets and financial liabilities that have no active markets, fair values are determined using an appropriate valuation technique. Any change in fair value of these financial assets and liabilities would affect profit or loss and equity. The fair value of financial assets and liabilities are enumerated in Note 8.

Impairment of equity investments

The Group treats equity financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as a decline of 20% or more below of the original cost of the investment, and "prolonged" as

period longer than 12 months. In addition, the Group evaluates other factors for equity investments with no quoted bid prices such as changes in the issuer's industry and sector performances, legal and regulatory framework, technology, and other factors that affect the recoverability of the investments.

Deferred tax assets

The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets 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 assets to be utilized.

The recognized net deferred tax assets amounted to ₱5,410,936 and ₱4,615,833 as of June 30, 2020 and 2019, respectively.

The Group did not recognize deferred tax assets of the Group and its non-operating subsidiaries amounting to ₱51,118,201, ₱51,717,634, and ₱50,379,389 as of June 30, 2020, 2019 and 2018, respectively, as management believes that the Group and its non-operating subsidiaries may not have sufficient future taxable profits available to allow utilization of these deferred tax assets.

Incremental borrowing rate of lease liability

Incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The incremental borrowing rate is determined by the Company on the commencement date of the lease. As a result, it incorporates the impact of significant economic events and other changes in circumstances arising between lease inception and commencement.

This incremental rate is used to measure the lease liability at the present value of lease payments that are not paid at the end of lease term. In 2019, the Company's determined incremental rates used to compute the carrying value of lease liability amounting to a total of ₱75,085,611 is ranging from 3% to 5% (Note 18).

Retirement Benefits

The determination of the obligation and cost of retirement benefits is dependent on certain assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 28 to the consolidated financial statements and include, among others, discount rates, salary increase rates and expected rates of return on plan assets. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, will generally affect the recognized expense and recorded obligation in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligations.

Accrued retirement benefits costs amounted to ₱7,760,977 and ₱6,273,725 as of June 30, 2020 and 2018, respectively.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist of cash, equity investments, investment in debt securities, due from (to) related parties and long-term debt. The main purpose of these financial instruments is to finance the Group's operations. The Group's other financial assets and liabilities include receivables, refundable deposits and accounts payable and accrued expenses, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Board of Directors review and approve the policies for managing these risks which are summarized below:

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt. As of June 30, 2020 and 2019, the Group has minimal exposure to interest rate risk since the interest rates are fixed up to the date of maturity.

Credit Risk

It is the Group's policy to require all concerned related and/or third party to comply and undergo a credit verification process with emphasis on their capacity, character and willingness to pay. In addition, receivables are closely monitored so that exposure to bad debts is minimized. The Group deals only with legitimate parties. As to other financial assets of the Group like cash, the credit risk arises only in case of default of the counterparty and the maximum exposure is limited to the carrying amount of the instruments.

- a. Financial information on the Group's maximum exposure to credit risk as of June 30, 2020 and 2019, without considering the effects of collaterals and other risk mitigation techniques are presented below.

	2020	2019
Cash and cash equivalents	₱22,585,838	₱51,967,205
Receivables	197,344,147	126,202,234
Refundable deposits	10,992,898	8,552,354
	₱230,922,883	₱186,721,793

- b. Credit quality per class of financial assets

Description of the credit quality grades used by the Group follows:

Financial assets - Equity investments

High grade - Counterparties that are consistently profitable, have strong fundamentals and pays out dividends.

Standard grade - Counterparties that recently turned profitable and have the potential of becoming a high-grade Group. These counterparties have sound fundamentals.

Substandard grade - Counterparties that are not yet profitable, speculative in nature but have the potential to turn around fundamentally.

Financial assets at amortized cost

High grade - High probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Standard grade - Collections are probable due to the reputation and the financial ability of the counterparty to pay.

Substandard grade - The counterparty shows probability of impairment based on historical trends.

The tables below show credit quality by class of financial assets based on the Group's credit quality grades (gross of related allowance for credit losses).

The table below presents the credit quality of financial assets and an analysis of past due accounts.

	2020			Total
	Neither past due nor impaired		Past Due but not impaired	
	High Grade	Standard Grade		
Financial Assets at amortized cost				
Cash excluding cash on hand	₱22,379,838	₱-	₱-	₱22,379,838
Trade Receivables (gross)	-	156,921,502	-	156,921,502
Other Receivables (gross)	-	-	40,253,421	40,253,421
Investment in Debt Security	2,038,632	-	-	2,038,632
Refundable Deposit	10,992,898	-	-	10,992,898
Subtotal	35,411,369	156,921,502	40,253,421	232,586,291
Financial Assets at FVOCI	21,209,285	-	-	21,209,285
Total	₱56,620,654	₱156,921,502	₱40,253,421	₱253,795,576

	2019			
	Neither past due nor impaired		Past Due but not impaired	Total
	High Grade	Standard Grade		
Financial Assets at amortized cost				
Cash excluding cash on hand	₱51,789,205	₱-	₱-	₱51,789,205
Trade Receivables (gross)	-	84,722,476	-	84,722,476
Other Receivables (gross)	-	-	40,435,817	40,435,817
Investment in Debt Security	2,000,000	-	-	2,000,000
Refundable Deposit	8,552,353	-	-	8,552,353
Subtotal	62,341,558	84,722,476	40,435,817	187,499,850
Financial Assets at FVOCI	22,646,285	-	-	22,646,285
Total	₱84,987,843	₱84,722,476	₱40,435,817	₱210,146,135

The credit quality of receivables is managed by the Group using internal credit quality ratings. High and medium grade accounts consist of receivables from debtors with good financial standing and with relatively low defaults.

The Group constantly monitors the receivables from these customers in order to identify any adverse changes in credit quality. The allowance for doubtful accounts is provided for those receivables that have been identified as individually impaired.

Liquidity Risk

The Group's objective is to maintain a balance between flexibility and continuity of funding. However, because of the default on the payment of interest and principal amortizations on existing debts, the Group's access to funds has been limited to those of its related parties in the form of advances. Current working capital requirements will continue to be sourced from short-term loans and advances from related parties.

The table below shows the maturity profile of the financial assets and liabilities, based on its internal methodology that manages liquidity based on contractual undiscounted cash flows:

	2020			
	On Demand	Within 1 Year	More than 1 Year	Total
Financial Assets at amortized cost:				
Cash excluding cash on hand	₱22,379,838	₱-	₱-	₱22,379,838
Trade and other receivables	-	197,344,147	-	197,344,147
Investment in debt security	-	-	2,038,632	2,038,632
Refundable deposits	-	4,350,801	6,642,097	10,992,898
Total	22,379,838	201,694,948	8,680,729	232,755,516
Financial Assets at FVOCI	-	-	21,209,285	21,209,285
Total	22,379,838	201,694,948	29,890,014	253,964,801
Financial Liabilities:				
Account payables and accrued expenses	-	309,257,900	123,438,803	432,696,703
Lease liability	-	25,452,455	49,633,157	75,085,612
Due to related parties	-	58,860,981	-	58,860,981
Total	-	393,571,336	173,071,960	566,643,296
Net Position	₱22,379,838	(₱191,876,388)	(₱143,181,946)	(₱312,678,495)

	2019			
	On Demand	Within 1 Year	More than 1 Year	Total
Financial Assets at amortized cost:				
Cash excluding cash on hand	₱51,967,205	₱-	₱-	₱51,967,205
Trade and other receivables	-	126,202,234	-	126,202,234
Investment in debt security	-	-	-	-

Refundable deposits	-	4,395,221	4,157,133	8,552,354
	51,967,205	130,597,455	4,157,133	186,721,793
Financial Assets at FVOCI	-	-	24,646,285	24,646,285
Total	51,967,205	130,597,455	28,803,418	211,368,078
Financial Liabilities:				
Account payables and accrued expenses	-	280,807,029	123,438,803	404,245,832
Lease liability	-	-	-	-
Due to related parties	-	58,262,046	-	58,262,046
Total	-	339,069,075	123,438,803	462,507,878
Net Position	₱51,967,205	(₱208,471,621)	(₱94,635,385)	(₱251,139,801)

7. CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the ability of the entities in the Group to continue as a going concern and maximize shareholder value by maintaining the appropriate capital structure that supports the business objective of the entities. The Board of Directors of the Group's entities has overall responsibility for monitoring capital in proportion to risk. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions, by issuing new shares and making adjustments on payments to related parties, existing debts and dividends to shareholders.

The Group is not subject to externally imposed capital requirements.

8. FINANCIAL ASSETS AND LIABILITIES

The following table summarizes the carrying values of the Groups financial assets and liabilities as of June 30:

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets at amortized cost				
Cash	₱22,585,838	₱22,585,838	₱51,967,205	₱51,967,205
Trade and other receivables	197,344,147	197,344,147	126,202,234	126,202,234
Investment in debt security	2,038,632	2,038,632	2,000,000	2,000,000
Refundable deposits	10,992,898	10,992,898	8,552,354	8,552,354
Subtotal	232,961,515	232,961,515	188,721,793	188,721,793
Financial Assets at FVOCI	21,209,285	21,209,285	22,646,285	22,646,285
Total	254,170,800	254,170,800	211,368,078	211,368,078
Financial Liabilities				
Accounts payable and Accrued expense	432,696,703	432,696,703	280,807,029	280,807,029
Lease Liability	75,085,612	75,085,612	-	-
Due to related parties	58,860,981	58,860,981	58,261,546	58,261,546
Total	₱566,643,296	₱566,643,296	₱339,068,575	₱339,068,575

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Current financial assets and liabilities

Due to the short-term nature of the transactions, the carrying values of cash, receivables, refundable deposits, accounts payable and accrued expenses, due to related parties and current portion of long-term debt approximate their fair values.

Equity investments

The fair values of publicly traded instruments and similar investments are based on quoted bid prices. Unquoted AFS equity securities are carried at cost, subject to impairment.

Debt investment

The carrying value of debt investment approximates the fair value, which is determined to be the present value of future cash flows using the prevailing market rate as the discount rate.

Long-term debt

The carrying value of the noncurrent portion of long-term debt approximates the fair value, which is determined to be the present value of future cash flows using the prevailing market rate as the discount rate.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

The following table shows the Group's financial assets and financial liabilities carried at fair value:

	2020		2019	
	Level 1	Level 3	Level 1	Level 3
Financial assets at amortized cost				
Cash	₱22,585,838	₱-	₱51,967,205	₱-
Trade and other receivables, net	-	197,344,147	-	126,202,234
Debt investments	2,038,632	-	-	-
Refundable deposits	-	10,992,898	-	8,552,353
Subtotal	24,624,470	208,337,045	51,967,205	134,754,587
Financial assets at FVOCI	21,209,285	-	22,646,285	0
Total	45,833,755	208,337,045	74,613,490	134,754,587
Financial liabilities				
Accounts payable and accrued expenses	-	432,696,703	-	280,807,029
Lease liability	-	75,085,612	-	-
Due to related parties	-	58,860,981	-	58,261,546
Total	₱-	₱566,643,296	₱-	₱339,068,575

As of June 30, 2020 and 2019, the Group does not have financial assets and financial liabilities valued using Level 2 inputs. Also, there were no transfers made between each level.

9. CASH

Details of cash are as follows as of June 30:

	2020	2019
Cash on hand	₱206,000	₱178,000
Cash in banks	22,379,838	51,789,205
	₱22,585,838	₱51,967,205

Cash in banks earn interest at the respective bank deposit rates. Interest income from banks amounted to ₱12,156 and ₱36,797 for the quarter June 30, 2020 and 2019, respectively.

10. TRADE AND OTHER RECEIVABLES

Details of receivables are as follows as of June 30:

	2020	2019
Notes receivables	₱143,865,021	₱143,865,021
Trade receivables	156,921,505	84,722,476
Due from affiliates (Note 25)	5,308,916	5,308,907
Others receivables	40,253,421	40,435,817

	346,348,862	274,332,220
Less allowance for probable loss	(149,004,715)	(148,129,986)
	₱197,344,147	₱126,202,234

Trade receivables are non-interest bearing and are generally on 30 to 60 days" credit terms.

The notes receivable bear interest at 3.5% per annum and are payable in 365 days on demand, subject to renewal upon mutual consent. Notes receivable are considered impaired and covered with allowance for probable losses.

Due from related parties are noninterest bearing and have no fixed repayment terms.

Other receivables pertain to advances subject for liquidation.

The movements in the allowance for probable losses follow:

	2020	2019
Balance at beginning of year	₱148,129,986	₱146,617,144
Reversal of allowance	-	-
Provision for the year	874,729	1,570,666
Write-off during the year	-	(57,824)
Balance at end of year	₱149,004,715	₱148,129,986

11. OTHER CURRENT ASSETS, NET

Details are as follows as of June 30:

	2020	2019
Creditable withholding taxes	₱9,300,295	₱9,300,295
Input taxes	8,372,139	7,093,681
Refundable deposits	4,350,801	4,395,221
Prepayments and others	14,020,999	11,400,778
	36,044,234	32,189,974
Less: allowance for probable losses	12,886,123	12,886,123
	₱23,158,111	₱19,303,851

12. ASSET HELD FOR SALE

Asset held for sale amounting to ₱364,656,836 and ₱367,416,621 as of June 30, 2020 and 2019, respectively, which constitutes 50.34% and 60.43% of the Group's total assets as of June 30, 2020 and 2019, respectively, represents advances to Polymax, the Group's special purpose entity incorporated in British Virgin Islands solely for the purpose of acquiring the petrochemical plant of NPCA as discussed in Note 2.

On March 18 and September 20, 2006, Polymax's interest in NPCA of 40% and 20%, respectively, was sold. Thereafter, management decided to discontinue operations and ceased operating as a going concern. The remaining 40% interest of Polymax in NPCA, which is for sale, is valued at ₱900 million, which is the estimated recoverable amount from the sale of the investment. The realization of the Group's advances to Polymax and the settlement of Polymax's past due liabilities related to the asset for sale, for which the Group is jointly and severally liable, are dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPCA, which is for sale. In this regard and to ensure the recoverability of the Group's advances to Polymax, the Group's major stockholders issued a letter of comfort in favor of the Group on September 30, 2014.

During 2014, 20% of the 40% remaining interest of Polymax in NPCA was sold. To reiterate assurance of the collectability of the Group's advances to Polymax, a comfort letter dated April 10, 2015 was issued by the major stockholders of the Group.

On December 16 and 22, 2015, the Group was able to collect advances from Polymax amounted to ₱300 million and ₱73 million, respectively.

13. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As of June 30, the account consists of:

	2020	2019
At acquisition cost	P16,270,963	P16,270,963
Cumulative fair value gain (loss) – in equity	4,938,322	6,375,322
Total	P21,209,285	P22,646,285

The investment in securities consists of investment in shares of stock of a publicly listed Group whose fair value is based on published prices on Philippine Stock Exchange; and unquoted equity investment carried at cost.

The net unrealized gain on equity instruments financial assets are deferred and presented separately as fair value reserve under the equity section of the consolidated financial position.

14. INVESTMENT IN DEBT SECURITY

During 2019, the Company invested with Philippine Depository and Trust Corporation (PDTC) through Security Bank. The bond has a face value of 2,000,000 with an interest rate of 4.50% and will mature on June 28, 2021.

Total interest income earned of the investments amounted to P38,632 on December 31, 2019.

Carrying amount of the bond investment on June 30, 2020 amounted to P2,038,632. Management considers the carrying amount recognized in the statements of financial position to be reasonable approximation of their fair values.

The Company has no debt investments in 2018.

15. PROPERTY AND EQUIPMENT, NET

As of June 30, this account consists of the following:

June 30, 2020	Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	IT Infrastructures	Right-Of- Use Asset	Total
Cost						
Balances at beginning of year	P2,622,377	P27,759,760	P17,136,887	P296,141	P106,304,776	P154,119,941
Additions/(Disposals)/Adjustments	156,181	118,714	500,901	-	-	775,797
Balances at end of year	2,778,558	27,878,474	17,637,788	296,141	106,304,776	154,895,738
Accumulated Depreciation						
Balances at beginning of year	2,124,403	22,450,810	15,042,518	119,811	32,798,271	72,535,813
Depreciation	232,947	902,278	589,610	35,266	-	1,760,100
Additions/(Disposals)/Adjustments	-	-	-	-	-	-
Balances at end of 2nd quarter	2,357,350	23,353,088	15,632,128	155,077	32,798,271	74,295,913
Net book value	P421,208	P4,525,386	P2,005,661	P141,064	P73,506,505	P80,599,824

June 30, 2019	Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	IT Infrastructures	Right-Of- Use Asset	Total
Cost						
Balances at beginning of year	P2,368,234	P27,637,455	P15,852,250	P-	-	P45,857,939
Additions/(Disposals)/Adjustments	159,428	(137,806)	937,715	-	-	959,338
Balances at end of year	2,527,662	27,499,649	16,789,965	-	-	46,817,277
Accumulated Depreciation						
Balances at beginning of year	1,811,245	23,038,314	14,287,540	-	-	39,137,099
Depreciation	138,551	897,668	303,300	-	-	1,339,519
Additions/(Disposals)/Adjustments	-	(2,529,331)	-	-	-	(2,529,331)
Balances at end of 2nd quarter	1,949,796	21,406,651	14,590,840	-	-	37,947,287
Net book value	P577,867	P6,092,998	P2,199,125	P-	-	P8,869,990

For both quarters 2020 and 2019, the Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

In 2019, the Company sold transportation equipment with a total net book value of ₱89,898 for net proceeds of ₱387,200, which resulted to a net gain on disposal amounting to ₱297,302. There are no disposals in 2018.

16. OTHER NONCURRENT ASSETS

As of June 30, this account composed of the following:

	2019	2018
Refundable deposits – non-current portion	₱6,642,097	₱4,157,133
Intangible assets	807,051	783,378
Total	₱7,449,158	₱4,940,511

Intangible assets pertain to non-exclusive software license costs for use in MCLSI's warehouse management system.

The carrying amount of intangible assets as of June 30, 2020 is as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Ending Balances</u>
Cost:			
Short messaging	₱135,135	₱-	₱135,135
Warehouse management system	1,309,910	-	1,309,910
Caerus accounting system	1,025,000	-	1,025,000
SAP Business one	1,825,646	-	1,825,646
Payroll System	-	651,786	651,786
Total	4,295,691	651,786	4,947,477
Accumulated Amortization:			
Short messaging	135,135	-	135,135
Warehouse management system	1,309,910	-	1,309,910
Caerus accounting system	1,025,000	-	1,025,000
SAP Business one	1,290,380	307,570	1,597,950
Payroll System	-	72,421	72,421
Total	3,760,425	379,991	4,140,416
Carrying amount	₱535,266	₱271,795	₱807,061

The carrying amount of intangible assets as of June 30, 2019 is as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Ending Balances</u>
Cost:			
Short messaging	₱135,135	₱-	₱135,135
Warehouse management system	1,309,910	-	1,309,910
Caerus accounting system	1,025,000	-	1,025,000
SAP Business one	1,825,646	-	1,825,646
Total	4,295,691	-	4,295,691
Accumulated Amortization:			
Short messaging	135,135	-	135,135
Warehouse management system	1,309,910	-	1,309,910
Caerus accounting system	1,025,000	-	1,025,000
SAP Business one	794,155	248,113	1,042,268
Total	3,264,200	248,113	3,512,313
Carrying amount	₱1,031,491	(₱248,113)	₱783,378

Intangible assets which have been fully amortized were due to MCLSI's management assessment that these will no longer provide a future economic benefit to the Company.

In 2016, the management decided to fully amortize the Caerus accounting system as the intangible assets is no longer functional.

17. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Details of this account are shown below as of June 30:

	2020	2019
Current Portion		
Trade Payables	₱97,181,360	₱67,812,130
Accrued Expenses	174,443,223	175,267,430
Other current liabilities	37,633,317	37,727,469
Total	309,257,900	280,807,029
Non-Current Portion		
Accrued Expenses	123,438,803	123,438,803
Total	₱432,696,703	₱404,245,832

Trade payables are noninterest bearing and have credit terms of 30 to 60 days.

Accrued expenses include provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered.

Provisions relate to pending claims jointly and severally against the Group and Polymax and pending claims and tax assessment solely against the Group. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the outcome of the related claims and tax assessments.

During 2018, the Group reclassified to non-current portion the accruals made which pertains to management fee, reserve for contingency BIR and accrued interest-Unimark amounting to ₱39,685,406, ₱83,753,397 and ₱52,876,888, respectively. These are not expected to be settled within one year or the Group's operating cycle, whichever is longer.

Other liabilities mainly pertain to payable to government agencies.

18. LEASE LIABILITY

Lease liability relates to liability recognized in relation to the adoption of PFRS 16. As of June 30, 2020 and 2019, the Company's determined incremental rate used is 5%. No lease liability was recognized in 2018. This account consists of the following:

	2019	2019
Lease liability		
Current	₱25,452,454	₱-
Noncurrent	49,633,157	-
Total	₱75,085,611	₱-

19. DUE TO RELATED PARTIES

Details of this account are as follows as of June 30:

	2020	2019
Acesite Phils Hotel Corp	₱5,627,202	₱5,627,202
The Wellex Group, Inc	52,876,188	52,877,388
Others	356,891	(242,544)
Total	₱58,860,981	₱58,262,046

The amounts due to related parties pertain to unsecured and noninterest bearing advances provided to the Group to finance its working capital requirements, capital expenditures, petrochemical project support and for other investments and have no definite repayment terms.

20. SHARE CAPITAL

The Group's capital stock as of June 30 consists of the following common shares:

	<u>2020</u>	<u>2019</u>
Class "A" – ₱1 par value		
Authorized – 720,000,000 shares with par value of ₱1	<u>₱720,000,000</u>	<u>₱720,000,000</u>
Issued and outstanding – 183,673,470 shares with par value of ₱1	<u>183,673,470</u>	<u>183,673,470</u>
Number of equity holders	<u>629</u>	<u>629</u>
Class "B" – ₱1 par value		
Authorized – 480,000,000 shares with par value of ₱1	<u>480,000,000</u>	<u>480,000,000</u>
Issued and outstanding – 122,448,979 shares with par value of ₱1	<u>122,448,979</u>	<u>122,448,979</u>
Number of equity holders	<u>404</u>	<u>404</u>
Additional Paid-in Capital	<u>₱3,571,923</u>	<u>₱3,571,923</u>

The two classes of common shares are identical in all respects, except that Class "A" shares are restricted to Philippine nationals and the total number of Class "B" shares is limited to two-thirds of the total outstanding Class "A" shares.

On July 25, 2003, the Group's stockholders approved the increase in authorized capital stock from ₱1.2 billion consisting of 1.2 billion shares to ₱5 billion consisting of 5 billion shares, both with par value of ₱1 per share. The increase did not push through because of dispute in the acquisition of the Petrochemical Project, which was finally settled in 2013 as discussed in Note 2. After final settlement of the dispute, the Group's management has decided to pursue the said increase in authorized capital stock of the Group.

A regular meeting of the stockholders of Metro Alliance Holdings & Equities Corp. was held on November 16, 2018 for the purpose of, among other purposes, securing the consent of the stockholders for the amendment of the Articles of Incorporation specifically article NINTH to declassify common shares class A and B shares resulting to one common shares and also Article SIXTH to increase the number of directors from Seven to Nine. These amendments were approved by the stockholders and/or their represented proxy during said the meeting and was filed to SEC last May 8, 2019. As of September 30, 2019, the amendment is pending for SEC approval.

21. COST OF SERVICES

Details of this account are shown below for the 2nd quarter June 30:

	<u>2020</u>	<u>2019</u>
Personnel costs	<u>₱22,057,243</u>	<u>₱23,537,763</u>
Rent and utilities	<u>15,647,937</u>	<u>12,820,417</u>
Transportation and Travel	<u>7,708,359</u>	<u>24,006,565</u>
Outside services	<u>4,004,657</u>	<u>427,311</u>
Security services	<u>2,343,894</u>	<u>1,366,272</u>
Communication and office supplies	<u>131,909</u>	<u>(6,856)</u>
Depreciation and amortization	<u>-</u>	<u>-</u>
Repairs and maintenance	<u>49,115</u>	<u>134,198</u>
Others	<u>419,096</u>	<u>2,790,392</u>
	<u>₱52,362,210</u>	<u>₱65,076,063</u>

22. GENERAL AND ADMINISTRATIVE EXPENSE

Details of this account are shown below for the 2nd quarter June 30:

	2020	2019
Personnel costs	₱3,218,988	₱4,704,788
Communication and office supplies	1,233,076	582,362
Taxes and Licenses	356,039	342,928
Security Services	-	-
Professional Fees	499,508	372,839
Rent and Utilities	249,221	337,137
Entertainment	263,062	85,743
Amortization of Intangible Assets	199,048	124,056
Insurance	33,226	7,344
Depreciation	893,567	665,962
Transportation and Travel	84,087	20,090
Others	18,708	819,584
	₱7,048,530	₱8,062,832

Other expenses include foreign exchange losses, outside services fee and miscellaneous expenses.

23. OTHER INCOME (EXPENSES), NET

Details of this account are shown below for the 2nd quarter June 30:

	2020	2019
Interest income (Note 9)	₱12,156	₱36,797
Other income	780,700	297,425
Miscellaneous	-	-
	792,856	334,222
Interest expense	(3,500)	-
Net	₱789,356	₱334,222

24. BASIC INCOME (LOSS) PER SHARE

Details of this account are shown below for the 2nd quarter June 30:

	2020	2019
Net income loss attributable to equity holders of the Parent Company	(₱2,766,647)	(₱1,399,724)
Weighted average number of common shares	306,122,449	306,122,449
Basic income per share	(₱0.0090)	(₱0.0046)

25. RELATED PARTY TRANSACTIONS

a. Due from/to related parties

The amounts due to related parties pertain to unsecured and noninterest bearing advances provided to the Parent Company to finance its working capital requirements, capital expenditures, Petrochemical Project support and for other investments and have no definite repayment terms.

b. Payables for shared operating expenses

On November 30, 2011, Gulf Agency Company Holdings (BV) and the Parent Company executed a Deed of Assignment in which the former offered to assign, transfer, cede and convey to the latter all its rights, title and interests in and to its shares, and the latter has accepted the offer. Accordingly, the former's shares were cancelled on May 7, 2012.

In accordance with the Deed of Assignment, it is agreed that the outstanding liabilities of MCLSI with Gulf Agency Company Holdings (BV) referred to in the Memorandum of Agreement dated November 30, 2011 will be honored and paid, should the latter's shares be sold to other persons.

Compensation of Key Management Personnel

Key management personnel are those person having authority and responsibility for planning and directing and controlling the activities of the Group, directly or indirectly.

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under their respective group's retirement plan.

The related amounts applicable to the Company's transactions with related parties are as follows:

Terms & Conditions	Transactions (June)		Outstanding Balance (June)		
	2020	2019	2020	2019	
Due from Related Parties					
The Wellex Group, Inc	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	P-	P-	P5,258,609	P5,258,610
Others	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	-	-	50,307	50,297
Total		-	-	5,308,916	5,308,907
Advances (Asset held for sale)					
Polymax (Note 12)	Represents 20% share investment in NPCA	(1,528,992)	(1,403,317)	364,656,836	367,954,306
Due to related parties					
Acesite (Phils) Hotel Corp	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	-	-	5,627,202	5,627,202
Wellex Mining Corp	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	-	-	-	-
The Wellex Group, Inc	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	-	-	52,876,888	52,876,888
Others	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	297,366	(690,022)	356,891	(242,544)
Total (Note 19)		P297,366	(P690,022)	P58,860,981	P58,262,046

26. LEASE AGREEMENTS

As of June 30, 2020 and 2019, the Parent Company and MCLSI, operating subsidiary, has several agreements with various entities for lease of commercial space and offices.

Office space

- a) The Parent Company entered into an operating lease agreement with The Wellex Group, Inc. for a business space in the 35th floor of One Corporate Centre, Dona Julia Vargas cor. Meralco Ave., Ortigas Center Pasig City. The term of the lease is from May 1, 2014 until April 30, 2016 and shall be renewable for another period of two (2) years with adjustments in the rental rates as agreed by the parties. Monthly rental for the leased premises amounts to P21,000, exclusive of VAT. The contract was renewed thrice and valid until April 30, 2022.
- b) During the year, MCLSI renewed the lease contract for its office space. The term of the contract is (1) year commenced in February 1, 2018, renewable subject to the terms and conditions as may be

mutually agreed upon. Monthly rental payments amounted to ₱71,150. This was renewed thrice in 2019, 2020 and 2021.

Warehouses

- c) MCLSI entered in lease contract for a warehouse and office building located at Warehouse #6 along E. Rodriguez St., Tunasan, Muntinlupa City. The lease term commenced on April 14, 2014. The contract was renewed thrice and valid until April 2022. Rental deposits paid is equivalent to three (3) months rental following the terms and conditions.
- d) MCLSI entered into new lease contracts for a warehouse, and parking and open space located at Warehouse 3, 21st St Golden Mile Business Park, Brgy, Maduya Carmona, Cavite. The lease term commenced on November 3, 2015 until November 2, 2018. The contract further renewed until November 2, 2021 with a monthly rental fees of ₱326,340.00 with 5% escalation starting November 3, 2019. Rental deposits paid is equivalent to three (3) months rental following the terms and conditions.
- e) MCLSI entered into another lease contract for warehouse, and parking and open space located at Warehouse 4, 21st Golden Mile Business Park, Brgy. Maduya Carmona, Cavite. The lease term commenced on October 12, 2015. The contract further renewed until October 11, 2021 with a monthly rental fees of ₱345,555.00 with 5% escalation starting October 12, 2019. Rental deposits paid is equivalent to three (3) months rental following the terms and conditions.
- f) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at Warehouse 2, 21st St Golden Mile Business Park, Brgy. Maduya Carmona, Cavite. The lease term commenced on October 16, 2016. The contract further renewed until October 15, 2024 with a monthly rental fees of ₱393,000.00 with 3% escalation every year starting October 16, 2020. Rental deposits paid is equivalent to three (3) months rental following the terms and conditions.
- g) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at Warehouse 1, 21st St. Golden Mile Business Park, Brgy. Maduya Carmona, Cavite with a covered area of 1,877sqm. The lease term commenced on November 7, 2016 to November 6, 2019 with monthly rental payments of ₱321,342.00. A 5% escalation will start on the third year. The contract further renewed until November 6, 2024 with a monthly rental fees of ₱375,400.00 with 3% escalation every year starting November 7, 2020. Rental deposits paid is equivalent to three (3) months rental following to the terms and conditions.
- h) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at Block 8 Lot 10, Golden Mile Business Park, Brgy. Maduya Carmona, Cavite with a covered area of 2,522 sqm and open area of 1,045 sqm. The lease term commenced on March 1, 2016 to February 29, 2019. The contract further renewed until February 28, 2022 with a monthly rental fees of ₱442,255.00 with 5% escalation starting March 1, 2021. Rental deposits paid is equivalent to two (2) months rental following the terms and conditions.
- i) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at Elisco Street, Brgy. Kalawan, Pasig City, with a covered area of 2,460 sqm and open area of 1,196 sqm. The lease term commenced on November 26, 2016 to November 25, 2019 with monthly rental payments of ₱511,460 with an escalation of 7% starting on the second year. Upon execution of the contract, the Company had paid three months" advance rental amounted to ₱1,534,380 and another two months" security deposit amounted to ₱956,000. The contract further renewed for a year until November 20, 2020 with a monthly rental fees of ₱601,988.41. Increase in Security deposits was paid following the increase of rentals.
- j) MCLSI entered into a new lease contract for a warehouse at Pangutlan Road, Tayud, Consolacion, Cebu with a covered area of 450 sqm. The lease term commenced on November 1, 2018 to October 31, 2021 with monthly rental payments of ₱81,000.00 with an escalation of 5% starting on the second year. The Company had paid Security deposit amounted to ₱324,000 equivalent to four month rentals.
- k) MCLSI entered in lease contract for a warehouse and office building located at Warehouse #1 along E. Rodriguez St., Tunasan, Muntinlupa City. The lease term commenced on May 15, 2019 until May 14, 2021 with a monthly rental fees of ₱172,800.00. Rental deposits paid is equivalent to three (3) months rental following the terms and conditions.

27. LOGISTICS AGREEMENTS

MCLSI has agreements with principals to provide logistics operations services, specifically warehousing and managing delivery of the principals' products to their key accounts and sub-distributors nationwide. Under the terms of these agreements, the principals shall pay MCLSI the agreed monthly fees plus reimbursement of certain warehouse expenses.

28. OTHER MATTERS

- (a) Metro Alliance vs. Commissioner of Internal Revenue
Assessment for deficiency withholding taxes for the year 1989, 1990 and 1991

On July 5, 2002, the Group received a decision from the Court of Tax Appeals (CTA) denying the Group's Petition for Review and ordering the payment of ₱83.8 million for withholding tax assessments for the taxable years 1989 to 1991. The Group filed a Motion for Reconsideration on July 31, 2002 but this was subsequently denied by the CTA. A Petition for Review was filed with the CTA on November 8, 2002, which was also denied by the CTA. The Group then appealed the decision of the CTA to the Court of Appeals (CA), which likewise denied the appeal and upheld the assessment against the Group. The Group, through its legal counsel, filed a Motion for Reconsideration with the CA in December 2003.

On July 9, 2004, the Group received the CA resolution denying the Motion for Reconsideration. On July 22, 2004, the Group filed with the CA a Motion for Extension of time to file an appeal to the Supreme Court (SC). On August 20, 2004, the Group filed said appeal. On October 20, 2004, the Group received the resolution of the SC denying its Petition for Review for lack of reversible error. The Group filed a Motion for Reconsideration. On January 10, 2005, the SC issued an Order stating that it found no ground to sustain the Group's appeal and dismissed the Group's petition with finality.

On April 26, 2006, the Group filed a Petition for Review before the CTA en banc. On March 7, 2007, the CTA en banc dismissed the Petition for lack of merit. The CTA en banc affirmed the CTA's decision granting the Motion for Issuance of Writ of Execution filed by the Commissioner of Internal Revenue.

As of June 30, 2020, the Group has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable. Management believes, however, that the ultimate outcome of the case will not have a material effect on the Group consolidated financial statements.

- (b) Metro Alliance and Philippine Estate Corporation vs. Philippine Trust Company, et al., Civil Case SCA#TG-05-2519, RTC Tagaytay City Branch 18
Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sales plus Damages

On September 14, 2005, the Group (MAHEC) and Philippine Estate Corporation (PHES) filed a Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, and Annulment in Decrease in Interest rates, Service Charge, Penalties and Notice of Sheriffs Sale, plus Damages with prayer for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction. The case stemmed from imminent extra-judicial foreclosure of four (4) mortgaged Tagaytay lots covered by Transfer Certificate of Title (TCT) Nos. T-355222, T-35523, T-35524 and T-35552 subject to the Real Estate Mortgage executed by MAHEC and PHES securing ₱280 million loan last December 2003.

On October 6, 2005, the Regional Trial Court (RTC) of Tagaytay City issued and granted the Writ of Preliminary Injunction (first injunction). The preliminary injunction issued by the RTC stopping the foreclosure was nullified by both Court of Appeals and Supreme Court, after which Philtrust proceeded to foreclose, and acquired those properties for only ₱165.8 million. When MAHEC and PHES failed to redeem, Philtrust consolidated title and Tagaytay registry issued new TCTs cancelling PHES' TCT. On October 10, 2011, MAHEC filed Notice *Lis Pendens* vs. four (4) new TCTs of Philtrust.

The case is now back to Tagaytay RTC for trial hearings under new acting Judge Jaime Santiago. MAHEC and PHES already presented witnesses. Next trial hearing was set on April 12, 2016 for

presentation of plaintiff's last witness for explanation of why the checks issued in 2004 in favor of Philtrust Bank intended to settle the loan were all dishonored and were returned unpaid.

The Group was able to get the formal trial started and on-going. The Group's most important move was the presentation of a very competent real estate appraiser, realtor, Cesar Santos, who was able to successfully defend in court his ₱811.6 million valuation of the foreclosed Tagaytay properties. Trial hearings are on-going and it is now defendant Bank's turn to adduce evidence. Plaintiffs have closed their evidence presentation wherein all offered evidences were admitted, over the objections of defendant Bank. At the last hearing held on December 6, 2016, defendant Bank's star witness was subjected to Plaintiff's cross examination wherein they obtained many damaging admissions against the Bank. Plaintiff's counsels' cross-examination resumed at trial hearing last April 25, 2017.

Damages sought are ₱1,000,000 as and by way of exemplary damages and ₱500,000 as and by way of attorney's fees; litigation expenses and cost of suit.

On February 21, 2019, the defense presented its second witness, Mr. Godofredo Gonzales, an appraiser of Philippine Trust Group. However, the cross-examination of the witness was reset to June 27, 2019.

On October 17, 2019, Philtrust submitted a Formal Offer of Evidence in Regional Trial Court.

As of June 30, 2020, the Group has not received any order of execution relative to this case.

(c) MAHEC, POLYMAX & WELLEX vs. Phil. Veterans Bank., et al., Civil Case #08-555, RTC Makati Branch 145 now SC GR 2405495 and 240513
Civil Action with Damages to Nullify the Foreclosure of Property

The case is an injunction suit with damages filed on July 23, 2008 in RTC-Makati to nullify the foreclosure of Pasig lot securing a ₱350 million loan obtained by MAHEC, Polymax and Wellex. Initially, Temporary Restraining Order (TRO) and preliminary injunction was issued, but afterwards, it was lifted, enabling Philippine Veterans Bank (PVB) to foreclose. In successive certiorari cases that plaintiffs filed, both Court of Appeals (CA) and Supreme Court (SC) upheld PVB. Worse yet, due to major lapse of the plaintiff's original counsels, *lis pendens* on foreclosed Pasig lot was cancelled, and in March 2012, PVB sold the lots to Zen Sen Realty Development Corporation who got new Transfer Certificate of Title (TCT). The above case was consolidated with other case of affiliated Group with the same RTC. In 2013, Group's legal counsel brought Zen Sen Realty Development Corporation as defendant also, and prayed that the PVB sale to it be nullified. In October 2014, Group's legal counsel dropped Zen Sen Realty as an unnecessary defendant, after which DECISION was rendered vs. PVB on January 9, 2015, declaring the ₱550M loan (total loan of MAHEC, Polymax, Wellex and other affiliated companies) as fully paid, and even over-paid; discharging all the mortgages, and voiding the 2012 sale made to Zen Sen. PVB was ordered to refund to plaintiffs the ₱3.25 million overpayment. PVB filed a motion for reconsideration which was denied. PVB filed Notice of Appeal to Court of Appeal on May 8, 2015, which the Group's legal counsel questioned as defective, but the RTC ruled against the Group in its May 12, 2015 Order. The consolidated case is now on appeal in the Court of Appeals as CA-GR CV #105323. Appellant-defendant Bank filed last December 2016 its Appellant's Brief. The Group's legal counsel is given 45 days to file their Brief and eventually requested for another 30 days extension to finish and file said Appellees' Brief.

Upon appeal thereof by both parties, the Court of Appeals rendered its Decision dated June 29, 2017, partly granting PVB's appeal, and declared that: (a) the legal interest of 12% per annum be applied to the principal amounts; and (b) that MAHEC, et al. remain liable to pay PVB the amount of ₱69.7 million as of November 2006. MAHEC, et al. filed their "Motion for Reconsideration" dated July 31, 2017. The Court of Appeals rendered its Amended Decision dated February 28, 2018, stating that the outstanding obligation of MAHEC, at al., if any, shall earn interest at 6% per annum from July 1, 2013 onwards, pursuant to Central Bank Circular No. 799. The Court of Appeals denied PVB's Motion for Reconsideration thereof in its Resolution dated July 2, 2018.

On August 24, 2018, MAHEC, et.al filed with the Supreme Court its "Petition for Review on Certiorari" dated August 22, 2018. This was consolidated with PVB's "Petition for Review" dated August 24, 2018, which was previously raffled to the Supreme Court's Third Division.

In G.R. No. 240495, Group received a copy of PVB's „Comment/Opposition” dated October 30, 2019. On December 4, 2019, MAHEC, et al. filed “Motion to Admit Reply” with attached Reply, both dated November 28, 2019.

In G.R. No. 240513, MAHEC, et al. already “Comment (On the Petition for Review dated August 24, 2018)” dated August 30, 2019.

As of June 30, 2020, MAHEC, et al. have not yet received a copy of PVB's reply.

- (d) MAHEC, POLYMAX, Renato B. Magadia (Metro Group/plaintiffs) vs NPC International Limited, et al. (NPC Group/defendants) Civil Case No. R-PSG 19-02106, RTC Pasig City Branch 159 Corporate Mismanagement and Damages with Application for Temporary Restraining Order and Injunction

On August 1, 2019, the Company filed a case for Mismanagement and Damages. This case stemmed from the gross mismanagement and gross negligence attributable to the NPC Group, in conspiracy with its appointed NPCA directors and management officers.

A joint venture was entered into by Metro Group and NPC Group, sometime in 2003 for the acquisition of the petrochemical plant. However, the joint venture did not make any money from its inception and during all of the 14 years of operation. NPCA, the joint venture company, did not record any net income from the time it was incorporated in 2005 until the present time, notwithstanding the supposed advantage of the parent and affiliates of the NPC Group having ready source of raw materials. The unexplained continuing inaction and nonchalance of the NPCA Management in the face of the mounting losses coupled with the unfettered control of the NPC Group on the operations of the Plant points to gross mismanagement amounting to criminal or reckless imprudence, or at the very least, civil negligence.

On August 13, 2019, the application for the issuance of a Temporary Restraining Order (TRO) filed by the Metro Group against the NPC Group was set for hearing. In support of their application, Metro Group presented its lone witness Mr. Renato Magadia.

On September 18, 2019, the plaintiffs filed an Urgent Omnibus Motion for Production of Documents and Request to Reset Preliminary Injunction Hearing. Thus, the preliminary injunction hearing set on September 26 was cancelled and reset to November 14, 2019. The defendants filed a Motion to Refer Dispute to Arbitration on October 15, 2019 due to the Stockholder's Agreement dated December 16, 2005. On the other hand, plaintiff's comment stated that the Settlement Agreement dated August 27, 2013 superseded the previous Stockholder's Agreement.

In November 11, 2019, Elma M. Rafallo-Lingan, the presiding judge, denied the Motion for Production/ Copying Documents and directed the defendant NPCA to furnish Annual Audited Financial Statements for the last ten years within 10 days from the date of said order.

Further, the defendants filed a Motion *Ad Cautelam* to drop Renato B. Magadia as Plaintiff. Renato B. Magadia, one of the plaintiffs in this case, died on October 18, 2019. Mr. Magadia joined in the action under the reasoning that he is a stockholder of NPCAC.

In February 3, 2020, Elma M. Rafallo-Lingan, Presiding Judge, ordered the Motion for Referral for Arbitration as denied. Meanwhile, the Motion *Ad Cautelam* to drop Renato B. Magadia as Plaintiff was granted.

As of June 30, 2020, the Group has not received any order of execution relative to this case.

- e) There are also other pending minor legal cases against the Parent Company. Based on the facts of these cases, management believes that its positions have legal merits and the resolution thereof will not materially affect the Parent Company's financial position and result of operations.

**METRO ALLIANCE HOLDINGS & EQUITIES CORP.
AND SUBSIDIARIES
APPENDIX A – FINANCIAL SOUNDNESS**

	Jun30 2020	Jun30 2019
Profitability ratios:		
Return on assets	-0.67%	-0.38%
Return on equity	-3.22%	-1.68%
Net profit margin	-9.00%	-3.12%
Solvency and liquidity ratios:		
Current ratio	61.76%	58.24%
Debt to equity ratio	382.81%	336.81%
Quick Ratio	55.88%	52.24%
Financial leverage ratio:		
Asset to equity ratio	482.81%	436.81%
Debt to asset ratio	79.29%	77.11%
Interest rate coverage ratio	NIL	NIL

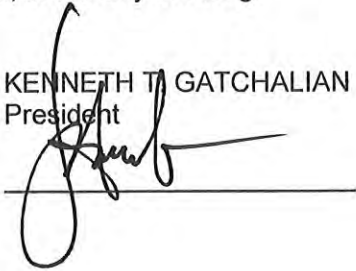
METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES**RECEIVABLES AGING SUMMARY****As of June, 2020**

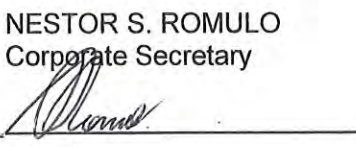
	Current	0 - 30	31 - 60	61 - 90	91 - 120	121+	Total
Notes receivable	₱-	₱-	₱-	₱-	₱-	₱143,865,021	₱143,865,021
Trade receivable	22,895,141	31,232,805	14,381,692	26,266,635	10,136,100	52,009,132	156,921,505
Due from affiliates						5,308,916	5,308,916
Others						40,230,440	40,253,421
Subtotal	22,895,141	31,232,805	14,381,692	26,266,635	10,136,100	241,413,509	346,348,863
Allowance for doubtful accounts							(149,004,715)
	₱22,895,141	₱31,232,805	₱14,381,692	₱26,266,635	₱10,136,100	₱241,413,509	₱197,344,148

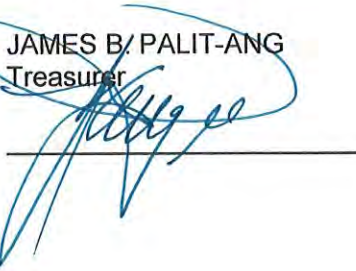
SIGNATURE

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

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 Pasig.

Registrant: KENNETH T. GATCHALIAN
Title: President
Signature: 


Registrant: NESTOR S. ROMULO
Title: Corporate Secretary
Signature: 

Registrant: JAMES B. PALIT-ANG
Title: Treasurer
Signature: 

CITY OF MANILA SUBSCRIBED AND SWORN to before me this AUG 08 day of 2020, in _____ affiant (s) exhibiting to me his/their Tax Identification No. as follows:

AFFIANTS	TAX IDENTIFICATION NO.
1. Kenneth T. Gatchalian	167-406-526
2. Nestor S. Romulo	107-200-723
3. James B. Palit-Ang	151-671-333

Doc. No.: _____
Page No.: _____
Book No.: _____
Series of _____


ATTY. HENRY D. ADASA
NOTARY PUBLIC - PASIG CITY
NOTARIAL COMMISSION 2020-162 MLA
IBP NO. 100920 - 01/03/2020, PASIG
PTR NO. 9224087 - 01/03/2020 MLA
ROLL NO. 29679, TIN: 172-528-620
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