# COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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

| AMADOR T. SENDIN |
|---|

(Contact Person)

| 8840-2001 |
|---|

(Company Telephone Number)

| 1 | 2 | 3 | 1 |
|---|---|---|---|

*Month* *Day*
(Calendar Year)

| 2 | 0 | - | I | S |
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(Form Type)

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*Month* *Day*
(Annual Meeting)

| NA |
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(Secondary License Type, If Applicable)

| MSRD |
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Dept. Requiring this Doc.

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Amended Articles Number/Section

| 845 |
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Total No. of Stockholders

Total Amount of Borrowings

| |
|---|

Domestic

| |
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Foreign

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To be accomplished by SEC Personnel concerned

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MACROASIA CORPORATION

# NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the Annual Stockholders' Meeting of MACROASIA CORPORATION will be conducted virtually on **Friday, 17 July 2020,** at **3:00 P.M.**, **t**he details of which can be found at http://www.macroasiacorp.com/asm.

The Agenda for the meeting is as follows:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 19 July 2019
4. President's Report
5. Financial Report on Results of Operations for 2019
6. Approval of the Audited Financial Statements for the year ended 31 December 2019
7. Amendment of Article II, Section 2.01 of the By-Laws to change the date of the Annual Stockholders' Meeting from "3rd Friday of July" to "2nd Thursday of May"
8. Amendment of Article III, Section 3.01 of the By-Laws to reduce the Number of Qualifying Shares of Directors from One Hundred Thousand (100,000) Shares to One Thousand (1,000) Shares
9. Declaration of Twenty Percent (20%) Stock Dividends from the Unissued Portion of the Authorized Capital Stock
10. Ratification of all Acts, Proceedings and Resolutions of the Board of Directors and Management since the Annual Stockholders' Meeting held on 19 July 2019 up to 17 July 2020
11. Election of Directors
12. Appointment of External Auditor
13. Other Matters
14. Adjournment

**Record Date.** Stockholders of record as of 17 June 2020 are entitled to notice of, and to vote at, the Annual Stockholders' Meeting.

**Attendance and Pre-Registration.** Given the current circumstances, stockholders may attend and participate in the meeting only by remote communication, and may vote either *in absentia* or by voting through the Chairman of the meeting as their proxy.

Stockholders who wish to participate in the meeting via remote communication and to vote *in absentia* should pre-register through http://www.macroasiacorp.com/asm by 8 July 2020.

Qualified pre-registered stockholders will be provided access to the live streaming of the meeting and can then cast their votes in absentia through the Company's secure online voting facility. All votes cast shall be subject to validation.

**Proxies. The Corporation is not soliciting your proxies.** Stockholders who wish to vote by proxy must submit their duly accomplished proxy forms via email to macasm@macroasiacorp.com, not later than 3 July 2020.

**Procedural Information.** The procedure and requirements for participating in the meeting through remote communication, as well as voting *in absentia* or by proxy are set forth in the Definitive Information Statement.

**Queries.** You may send your questions regarding the conduct and agenda of the meeting through http://www.macroasiacorp.com/asm.

**Electronic Copies of Relevant Documents.** Pursuant to SEC's Notice dated 20 April 2020, copies of the Company's Definitive Information Statement, Management Report, SEC Form 17-A, and other relevant documents are accessible through the Company's website at the following link http://www.macroasiacorp.com/asm.

**Video and Audio Recording.** Pursuant to SEC Memorandum Circular No. 6, Series of 2020, please be informed that there will be an audio and video recording of the meeting.

**Makati City, 15 June 2020.**

**ATTY. FLORENTINO M. HERRERA III**
Corporate Secretary

## Explanation and Rationale for Each Item in the Agenda

**1. Call to Order**

The Chairman of the Board of Directors, Dr. Lucio C. Tan, will call the meeting to order. Thereafter, the Chairman shall ask the President and Chief Operating Officer, Mr. Joseph T. Chua to preside over the meeting.

**2. Certification of Notice and Quorum**

The Corporate Secretary will certify the date when written notice of the meeting was published in two (2) newspapers of general circulation for two (2) consecutive days.

The Corporate Secretary will further certify to the existence of a quorum for the purpose of transacting business in the meeting. The number of the shares represented at the meeting shall be validated by PNB Trust, the stock transfer agent of the Corporation.

**3. Approval of the Minutes of the Annual Stockholders' Meeting held on 19 July 2019**

The Minutes of the Annual Stockholders' Meeting of the Corporation held on 19 July 2019 are posted at the Corporation website, http://www.macroasiacorp.com/.

The affirmative vote of stockholders representing at least a majority of the outstanding capital stock of the Corporation present at the meeting shall be necessary to approve the Minutes of the Meeting.

**4. President's Report**

The President and Chief Operating Officer of the Corporation, Mr. Joseph T. Chua, will deliver the President's Report on the results of operations of the Corporation and its subsidiaries, together with the projected business outlook for 2020.

**5. Financial Report on Results of Operations for 2019**

The Corporation's Chief Financial Officer, Mr. Amador T. Sendin, will present the Financial Report for the year ended 31 December 2019.

**6. Approval of the Annual Report and the Audited Financial Statements for the year ended 31 December 2019**

The Audited Financial Statements of the Corporation, as audited by SyCip Gorres Velayo & Co., for the year ended 31 December 2019 will be

contained in the Annual Report to be emailed to the stockholders upon their successful registration for the Annual Stockholders' Meeting. The same shall also be posted on the Corporation's website at http://www.macroasiacorp.com/asm, as part of its Definitive Information Statement (SEC Form 20-IS).

The Audit Committee has recommended, and the Board of Directors has approved the Audited Financial Statements of the Corporation for the year ended 31 December 2019.

A resolution for the approval of the Annual Report and Audited Financial Statements shall be submitted to the stockholders.

The affirmative vote of stockholders representing at least a majority of the outstanding capital stock of the Corporation present at the meeting shall be necessary to approve the resolution.

**7. Amendment of Article II, Section 2.01 of the By-Laws to change the date of the Annual Stockholders' Meeting from "3rd Friday of July" to "2nd Thursday of May"**

The amendment of the By-Laws to revise the date of the Annual Stockholders' Meeting from 3rd Friday of July to 2nd Thursday of May will be presented for approval in order to have the Annual Stockholders' Meeting date closer to the calendar year closing date (December 31), starting 2021.

A resolution for the amendment of the By-Laws will be presented to the stockholders for their approval.

The affirmative vote of stockholders representing at least a majority of the outstanding capital stock of the Corporation shall be necessary to approve the resolution.

**8. Amendment of Article III, Section 3.01 of the By-Laws to reduce the Number of Qualifying Shares of Directors from One Hundred Thousand (100,000) Shares to One Thousand (1,000) Shares**

The decrease in the number of qualifying shares for directors will widen the field of possible qualified directors for the Corporation; the lower number of shares to be held will no longer be a major constraint for many prospective directors. In addition, the fewer number of shares required for the eleven (11) directors to hold and qualify as directors will make more shares available for the market.

A resolution for the amendment of the By-Laws will be presented to the stockholders for their approval.

The affirmative vote of stockholders representing at least a majority of the outstanding capital stock of the Corporation shall be necessary to approve the resolution.

**9. Declaration of Twenty Percent (20%) Stock Dividends from the Unissued Portion of the Authorized Capital Stock**

The Board of Directors, during its meeting held on 30 April 2020, approved the declaration of 20% stock dividends from the unissued but authorized capital stock of the Corporation. The same shall be subject to approval by the stockholders at the meeting.

A motion for the approval of the declaration of the 20% stock dividends from the unissued but authorized capital stock of the Corporation will be presented to the stockholders for their approval.

The affirmative vote of stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Corporation shall be necessary to approve the resolution.

**10. Ratification of all Acts, Proceedings and Resolutions of the Board of Directors and Management since the Annual Stockholders' Meeting held on 19 July 2019 up to 17 July 2020**

The acts and resolutions of the Board of Directors and Management since the 2019 Annual Stockholders Meeting that are submitted for the approval, confirmation, and ratification by the stockholders are enumerated in Item 18 of SEC Form 20-IS.

A motion for the approval, confirmation, and ratification of the acts, proceedings and resolutions of the Board of Directors and Management since the 2019 Annual Stockholders' Meeting shall be presented to the stockholders.

The affirmative vote of stockholders representing at least a majority of the outstanding capital stock of the Corporation present at the meeting shall be necessary to approve the resolution.

**11. Election of Directors**

In accordance with the Corporation's By-Laws and Manual on Corporate Governance, the Corporate Governance Committee received the nominations to the Board of Directors.

During its meeting on 5 June 2020, the Corporate Governance Committee determined that all the nominees, including the nominees for

independent directors, possess all the qualifications of a director pursuant to the Corporation's By-Laws, Manual on Corporate Governance, and applicable laws, rules and regulations. Copies of the directors' profiles are provided in the Information Statement and posted on the Corporation's website: http://www.macroasiacorp.com/.

The Corporate Secretary shall present to the stockholders the names of the individuals who were nominated in the Final List of Candidates for directors of the Corporation.

The election of the directors shall be by plurality of votes. Every stockholder may vote such number of shares owned by him for as many persons as there are directors to be elected; or he may cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal; or he may, based on the same principle, distribute such votes among as many candidates as he sees fit.

The eleven (11) directors receiving the highest number of votes will be declared elected as directors of the Corporation.

The Office of the Corporate Secretary shall oversee the tabulation of the votes, subject to verification by the external auditor, SGV.

**12. Appointment of External Auditor**

The Audit Committee has recommended, and the Board has approved the appointment of SyCip Gorres Velayo & Co. as the external auditor of the Corporation.

The profile of the proposed external auditor is provided in the Information Statement.

A resolution for the appointment of SyCip Gorres Velayo & Co. as the Corporation's external auditor will be presented to the stockholders for their approval.

The affirmative vote of stockholders representing at least a majority of the outstanding capital stock of the Corporation present at the meeting shall be necessary to approve the resolution.

**13. Other Matters**

The Chairman of the Meeting will hold an Open Forum to address the queries of the stockholders.

Only questions submitted in advance by the stockholders will be addressed during the Meeting. As stated in the Notice, the questions must be submitted through the **Queries** tab found in the Annual Stockholder's Meeting page (http://www.macroasiacorp.com/asm) not later than July 10, 2020.

Questions/comments received but not entertained during the Open Forum due to time constraints will be addressed separately by the Corporation's Investor Relations Officer.

**14. Adjournment**

Upon confirmation by the Corporate Secretary that there are no other matters to be considered, and on motion by a stockholder duly seconded, the Chairman of the meeting will declare the meeting adjourned.

## WE ARE NOT SOLICITING YOUR PROXY

Stockholders may cast their votes via the method provided for voting in absentia, or by accomplishing the proxy form provided below.

## PROXY

The undersigned stockholder of **MACROASIA CORPORATION** (the "Corporation") hereby appoints the Chairman of the Meeting as proxy to represent the undersigned stockholder at the Annual Stockholders' Meeting of the Corporation to be held through remote communication on July 17, 2020, and any adjournment or postponement thereof, and to vote all the shares registered in the name of the undersigned stockholder in the books of the Corporation for the purpose of acting on the following matters as fully, for all intents and purposes as he/she/it might do if present and acting in person, hereby ratifying and confirming all that said proxy shall lawfully do or cause to be done by virtue of these presents:

| | FOR | AGAINST | ABSTAIN |
|---|---|---|---|
| 1. Approval of the Minutes of the Annual Stockholders 'Meeting held on 19 July 2019 | ☐ | ☐ | ☐ |
| 2. Approval of the Annual Report and the Audited Financial Statements for the year ended 31 December 2019 | ☐ | ☐ | ☐ |
| 3. Amendment of Article II, Section 2.01 of the By-Laws to change the date of the Annual Stockholders' Meeting from "3rd Friday of July" to "2nd Thursday of May" starting 2021 | ☐ | ☐ | ☐ |
| 4. Amendment of Article III, Section 3.01 of the By-Laws to reduce the number of Qualifying Shares of Directors from One Hundred Thousand (100,000) Shares to One Thousand (1,000) Shares | ☐ | ☐ | ☐ |

| | FOR | AGAINST | ABSTAIN |
|---|---|---|---|
| 5. Declaration of Twenty Percent (20%) Stock Dividends from the Unissued Portion of the Authorized Capital Stock | ☐ | ☐ | ☐ |
| 6. Ratification of all Acts, Proceedings and Resolutions of the Board of Directors and Management since the Annual Stockholders' Meeting held on 19 July 2019 up to 17 July 2020 | ☐ | ☐ | ☐ |
| 7. To elect the following persons to the Board of Directors of the Corporation to serve until the next annual meeting of the shareholders or until their successors are elected and qualified: | | | |
| i. Dr. Lucio C. Tan (Director) | ☐ | ☐ | ☐ |
| ii. Carmen K. Tan (Director) | ☐ | ☐ | ☐ |
| iii. Lucio C. Tan III (Director) | ☐ | ☐ | ☐ |
| iv. Vivienne K. Tan (Director) | ☐ | ☐ | ☐ |
| v. Joseph T. Chua (Director) | ☐ | ☐ | ☐ |
| vi. Michael G. Tan (Director) | ☐ | ☐ | ☐ |
| vii. Eduardo Luis T. Luy (Director) | ☐ | ☐ | ☐ |
| viii. Johnip G. Cua (Independent Director) | ☐ | ☐ | ☐ |

| | FOR | AGAINST | ABSTAIN |
|---|---|---|---|
| ix. Ben C. Tiu<br>(Independent Director) | ☐ | ☐ | ☐ |
| x. Marixi R. Prieto<br>(Independent Director) | ☐ | ☐ | ☐ |
| xi. Samuel C. Uy<br>(Independent Director) | ☐ | ☐ | ☐ |
| 8. Appointment if SGV & Co. as external auditor of the Corporation for 2020 | ☐ | ☐ | ☐ |

In addition, the proxy may, in their discretion, properly vote on the shares for any other business during the meeting, for (1) matters that were not made known to the proxy holders a reasonable time before this proxy was executed, and (2) on matters incidental to the conduct of the meeting.

**SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AS DIRECTED BY THE STOCKHOLDER. IF NO CHOICE IS SPECIFIED, SHARES WILL BE VOTED AT THE DISCRETION OF THE PROXY.**

This proxy is signed this _____ day of _____ 2020.

_____
Signature of Stockholder

_____
Stockholder Printed Name

_____
Address

_____
Number of shares held in MAC
as of record date (June 17, 2020)

**NOTE:**

1. All proxies for the meeting should be received by the Corporate Secretary on or before July 3, 2020.

2. Please note that all proxies submitted by corporations should be accompanied by a Corporate Secretary's Certificate quoting the board resolution designating a corporate officer to execute the proxy.

   If a proxy form is submitted by a broker or custodian bank covering such shares of stock carried by such broker or custodian bank for the account(s) of beneficial owner(s), it must be accompanied by: (1) a Corporate Secretary's Certificate quoting the board resolution designating a corporate officer to execute the proxy; and (2) a Certification under oath, executed by the designated corporate officer, stating that the broker or custodian bank has obtained the written consent of the account holder.

**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 **MACROASIA CORPORATION**

3. **Philippines**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **40524**

5. BIR Tax Identification Code **004-666-098-000**

6. **12th Floor, PNB Allied Bank Center, 6754 Ayala Avenue, Makati City** **1226**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(632) 8840-2001**

8. **17 July 2020, 3:00 P.M via remote communication as allowed by SEC per MC No. 6, Series of 2020**
   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
   **June 25, 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 Stock, ₱1 par value** | **1,575,798,693 Outstanding Shares** |

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

    Yes ✓ No _____

| Name of Stock Exchange | Class |
|---|---|
| **Philippine Stock Exchange** | **Common Stock** |

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**2020 FIRST QUARTER REPORT**

# A. GENERAL INFORMATION

*In this Information Statement, the "Corporation" or "MAC" refers to MacroAsia Corporation. Similarly, the "MacroAsia Group" or the "Group" refers to MacroAsia Corporation and its subsidiaries/affiliates.*

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

The meeting will be will be conducted virtually on **Friday, 17 July 2020,** at **3:00 P.M.** The details of the meeting can be found at http://www.macroasiacorp.com/asm.

The complete mailing address of the Corporation is: **12th Floor, PNB Allied Bank Center, 6754 Ayala Avenue, Makati City, Philippines**

The approximate date on which the Information Statement is first to be sent or given to Security Holders is **June 25, 2020**.

**THE PARENT COMPANY IS NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY**

## Item 2. Dissenters' Right of Appraisal

Under Title X of the Revised Corporation Code of the Philippines, any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances: (i) any amendment to the articles of incorporation which has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class; (ii) extending or shortening the term of corporate existence; (iii) any sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; (iv) merger or consolidation; and (v) in case of investment of corporate funds for any purpose other than the primary purpose of the Corporation.

The appraisal right may be exercised by any dissenting stockholder who shall have voted against the proposed corporate action, by making a written demand on the Corporation within thirty (30) days after the date on which the vote was taken for payment of the value of his shares. If the proposed corporate action is implemented or effected, the Corporation shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action. No payment shall be made to dissenting stockholder unless the Corporation has unrestricted retained earnings in its books to cover such payment.

None of the proposed corporate actions of the Corporation qualify as an instance which allows the exercise by the stockholders of their appraisal rights.

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

(a) No director or officer of the Corporation, or nominee for election as director or associate of the foregoing persons, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.

(b) No director has informed the Corporation in writing that they intend 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) MacroAsia Corporation has 1,575,798,693 common shares issued and outstanding as of May 31, 2020. All issued and outstanding common shares of the Corporation as of the record date are entitled to vote at the Annual Stockholder's Meeting. Each share is entitled to one (1) vote.

(b) The record date for purposes of determining the stockholders entitled to vote is June 17, 2020.

(c) A stockholder entitled to vote at the meeting shall have the right to vote through remote communication/ *in absentia* or by proxy, the number of shares registered in his name in the stock transfer book of the Corporation for as many persons as there are directors to be elected. Each stockholder shall have the right to cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same cumulative voting principle among as many nominees as he shall see fit; provided, that the number of votes cast by a stockholder shall not exceed the number of his shares multiplied by the number of directors to be elected.

No discretionary authority to cumulate votes is solicited.

(d) Security Ownership of Certain Record & Beneficial Owners & Management

1. Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Corporation's Securities as of May 31, 2020 are:

| 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 | % of Class |
|---|---|---|---|---|---|
| **COMMON** | PCD Nominee Corporation<br>*37th Floor, Tower I, The Enterprise Center*<br>*6766 Ayala Avenue, Makati City*<br>*(Shareholder)* | Various Clients[1] | Filipino | 282,890,975 | 17.48% |
| **COMMON** | PCD Nominee Corporation<br>*37th Floor, Tower I, The Enterprise Center*<br>*6766 Ayala Avenue, Makati City*<br>*(Shareholder)* | Various Clients[1] | Non-Filipino | 114,569,707 | 7.08% |

[1] *PCD Nominee Corp. (PCD) is a registered owner of certain shares in the books of the Corporation's transfer agent in the Philippines. The beneficial owners of such shares are PCD's participants, who hold shares on their behalf or in behalf of their clients. PCD is a private corporation organized by major institutions actively participating in Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines. The securities are voted by the trustee's designated officers who are not known to the Corporation. None of the PCD Nominee Corporation (Filipino and Non-Filipino) accounts beneficially own 5% or more of the Corporation's outstanding common shares.*

| | | | | | |
|---|---|---|---|---|---|
| **COMMON** | PAL Holdings, Inc. (formerly Baguio Gold Holdings Corp.)<br>*7th Flr. PNB Allied Bank Center*<br>*6754 Ayala Ave., Makati City*<br>*(Shareholder)* | Trustmark Holdings Corp. (Shareholder)[2]<br><br>Susan T. Lee[4] | Filipino | 114,400,000 | 7.07% |
| **COMMON** | Conway Equities, Inc.<br>*10 Quezon Avenue, Quezon City* | Melito K. Tan, President[3]<br>Orville C. Go. Jr.[4], Treasurer[3]<br>Dinah T. Paginag, Corporate Secretary[3] | Filipino | 110,643,000 | 6.84% |
| **COMMON** | Pan Asia Securities Corp.<br>*Unit 910, Tower One and Exchange Plaza*<br>*Ayala Avenue, Makati City* | Irene T. Luy, President[5]<br>Philip Sing, Treasurer[5]<br>Arlene Guevarra, Corporate Secretary[5] | Filipino | 93,298,585 | 5.77% |

2. Security Ownership of Directors and Management as of May 31, 2020:

| **Title of Class** | **Name of Beneficial Owner** | **Amount and Nature of Ownership** | **Citizenship** | **% of Class** |
|---|---|---|---|---|
| COMMON | Dr. Lucio C. Tan<br>Chairman and CEO | 130,000 Direct<br>(Beneficial) | Filipino | <1 % |
| COMMON | Carmen K. Tan<br>Director | 130,000 Direct<br>(Beneficial) | Filipino | <1% |
| COMMON | Lucio C. Tan III<br>Director | 130,000 Direct<br>(Beneficial) | Filipino | <1% |
| COMMON | Vivienne K. Tan<br>Director | 1,300,000 Direct<br>(Beneficial) | Filipino | <1% |
| COMMON | Joseph T. Chua<br>President and COO | 162,500 Direct<br>5,704,790 Indirect<br>(Beneficial) | Filipino | <1% |
| COMMON | Michael G. Tan<br>Director | 130,000 Direct<br>(Beneficial) | Filipino | <1% |
| COMMON | Eduardo Luis T. Luy<br>Treasurer | 100,000 Direct<br>(Beneficial) | Filipino | <1% |
| COMMON | Johnip G. Cua<br>Lead Independent Director | 4,030,000 Indirect<br>(Beneficial) | Filipino | <1% |
| COMMON | Ben C. Tiu<br>Independent Director | 130,000 Direct<br>(Beneficial) | Filipino | <1% |
| COMMON | Marixi R. Prieto<br>Independent Director | 130,000 Direct<br>(Beneficial) | Filipino | <1% |
| COMMON | Samuel C. Uy<br>Independent Director | 130,000 Direct<br>765,700 Indirect<br>(Beneficial) | Filipino | <1% |
| COMMON | Atty. Florentino M. Herrera III<br>Corporate Secretary | 299,000 Direct<br>6,979,637 Indirect<br>(Beneficial) | Filipino | <1% |

[2] *Relationship of beneficial owner with the record owner*

[3] *Designation in Conway Equities, Inc.*

[4] *Person authorized by the Board of Directors of the company to vote in the forthcoming annual stockholders' meeting.*

[5] *Designation in Pan Asia Securities Corp.*

| | | | | |
|---|---|---|---|---|
| | Atty. Marivic T. Moya<br>Chief Compliance Officer/Corporate Information Officer, SVP- Human Resources, Legal and External Relations | - | Filipino | - |
| | Amador T. Sendin<br>Chief Financial Officer, Chief Risk Officer, SVP – Administration | - | Filipino | - |
| | Belgium S. Tandoc<br>Data Protection Officer, VP – Business Development | - | Filipino | - |
| | **Total** | **20,251,627** | | **1.29%** |

3. Voting Trust of Holders of 5% or more

   To the extent known to the Corporation, there is no person holding more than 5% of the Corporation's voting stock under a voting trust or similar agreement.

4. Changes in Control

   Since 1998, the Corporation has not had any single controlling shareholder, and there are no arrangements that may result in a change of control during the period covered by this report.

## Item 5. Directors and Executive Officers

(a) Attendance:

The record of attendance of the directors during the Board meetings held during the year 2019 meets the Securities and Exchange Commission's requirement of more than 50% attendance as indicated below:

| Directors | Position | Regular | | | Special | Organizational | % of Total |
|---|---|---|---|---|---|---|---|
| | | Mar 14 | Jul 19 | Dec 12 | Nov 5 | Jul 19 | |
| Dr. Lucio C. Tan (ED) | Chairman & CEO | P | P | P | P | P | 100% |
| Carmen K. Tan (NED) | Director | P | P | P | P | P | 100% |
| Lucio K. Tan Jr. (ED) [1] | Treasurer | P | P | N/A | P | P | 100% |
| Michael G. Tan (NED) | Director | P | P | P | P | P | 100% |
| Joseph T. Chua (ED) | President & COO | P | P | P | P | P | 100% |
| Jaime J. Bautista (ED) [2] | Treasurer | P | N/A | N/A | N/A | N/A | 100% |
| Johnip G. Cua (ID) | Lead Independent Director | P | P | P | P | P | 100% |
| Ben C. Tiu (ID) | Independent Director | P | P | P | P | P | 100% |
| Marixi R. Prieto (ID) | Independent Director | P | P | P | P | P | 100% |
| Samuel C. Uy (ID) | Independent Director | P | P | P | P | P | 100% |
| Vivienne K. Tan (NED) [3] | Director | N/A | N/A | P | P | P | 100% |
| Rex Vincent Young (NED) [4] | Director | N/A | N/A | N/A | P | P | 100% |
| Lucio C. Tan III (NED) [5] | Director | N/A | N/A | P | N/A | N/A | 100% |
| Eduardo Luis T. Luy (ED) [6] | Treasurer | N/A | N/A | P | N/A | N/A | 100% |

***Legend:***
*P - Present*
*A – Absent*
*ED – Executive Director*
*NED – Non-Executive Director*
*ID – Independent Director*
*[1] Passed away on 11 November 2019*
*[2] Resigned effective 19 July 2019*
*[3] Elected during the Annual Stockholders' Meeting held on 19 July 2019*
*[4] Elected during the Annual Stockholders' Meeting held on 19 July 2019/resigned effective 12 December 2019*
*[5] Elected during the Regular Board Meeting held on 12 December 2019*
*[6] Elected during the Regular Board Meeting held on 12 December 2019*

A Director's term of office is one year. Election for the Board of Directors is conducted during the annual stockholders' meeting held every third Friday of July each year.

(b) Information required of Directors and Executive Officers:

1. Directors and Executive Officers - Please refer to Annex A
2. Chairman and Members of the Corporate Governance Committee

Ms. Marixi R. Prieto is the Chairman of the Corporate Governance Committee while Mr. Lucio C. Tan III, Mr. Johnip G. Cua, Mr. Ben C. Tiu and Mr. Samuel C. Uy are committee members. Atty. Marivic T. Moya is a non-voting member of the Corporate Governance Committee. The Corporate Governance Committee pre-screened and shortlisted all candidates nominated in accordance with the qualifications and disqualifications set forth in the Corporation's Amended By-laws and the Manual on Corporate Governance. The following are the Final List of Candidates for directors as determined by the Corporate Governance Committee during its meeting held on June 5, 2020:

1. Dr. Lucio C. Tan – Executive Director (Chairman & CEO)
2. Carmen K. Tan – Non-Executive Director
3. Lucio C. Tan III – Non-Executive Director
4. Vivienne K. Tan – Non-Executive Director
5. Joseph T. Chua – Executive Director (President & COO)
6. Michael G. Tan – Non-Executive Director
7. Eduardo Luis T. Luy – Executive Director (Treasurer)
8. Johnip G. Cua – Lead Independent Director
9. Ben C. Tiu – Independent Director
10. Marixi R. Prieto – Independent Director
11. Samuel C. Uy – Independent Director

Dr. Lucio C. Tan, Mr. Lucio C. Tan III, Mr. Michael G. Tan, Mr. Joseph T. Chua, Mr. Eduardo Luis T. Luy, Mrs. Carmen K. Tan, and Ms. Vivienne K. Tan were formally nominated to the Corporate Governance Committee of the Corporation by a stockholder, Mr. Aaron Christopher Valencia.

Mr. Johnip G. Cua, Mr. Ben C. Tiu, Ms. Marixi R. Prieto and Mr. Samuel C. Uy, incumbent independent directors, were nominated as independent directors by Mr. Ike Tom Tolentino for the ensuing year. Mr. Tolentino is not related to any of the nominees for independent directors.

The Corporation has adopted the requirements under SRC Rule 38 (Requirements on Nomination and Election of Independent Directors) and compliance with such Rule has been made.

**Guidelines on the Nomination and Election of Independent Directors**

A. Independent director means a person who is independent from the management and controlling stockholders, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company and includes, among others, any person who:

1. Is not, or has not been a senior officer or employee of the Corporation, unless there has been a change in the controlling ownership of the Corporation;

2. Is not, and has not been in the three years immediately preceding the election, a director of the Corporation; a director, officer, employee of the Corporation's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the Corporation's substantial stockholders and its related companies, except if he also serves as an independent director of the Corporation's subsidiaries, associates, affiliates or related companies;

3. Is not an owner of more than two percent (2%) of the outstanding shares of the Corporation, its subsidiaries, associates, affiliates or related companies;

4. Is not a relative of a director, officer, or substantial stockholder of the Corporation or any of its related companies or of any of its substantial stockholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;

5. Is not acting as a nominee or representative of any director of the Corporation or any of its related companies;

6. Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;

7. Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Corporation, any of its related companies or substantial stockholder, or is otherwise independent of Management and free from any business or other relationship within the three years immediately preceding the date of his election;

8. Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial stockholder, in any transaction with the Corporation or any of its related companies or substantial stockholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment;

9. Is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial stockholders; and

10. Is not employed as an executive officer of another company where any of the Corporation's executives serve as directors.

Related companies, as used in this section, refer to (a) the Corporation's holding/parent company; (b) its subsidiaries; and (c) subsidiaries of its holding/parent company.

B. No person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the SRC, committed within five (5) years prior to the date of his election, shall qualify as an independent director. This is without prejudice

to other disqualifications provided for in the Corporation's Manual on Corporate Governance.

C. Any controversy or issue arising from the selection, nomination or election of independent directors shall be resolved by the SEC through the appointment of independent directors from the list of nominees submitted by the stockholders.

D. Qualifications and Disqualifications

1. An independent director shall have the following qualifications:
   (i) He shall be at least a college graduate or have sufficient knowledge, skills, and experience, (and independence of mind in case of non-executive directors) in managing the business to substitute for such formal education;
   (ii) He shall be at least twenty-one (21) years old;
   (iii) He shall have been proven to possess integrity and probity;
   (iv) He shall have the ability to promote smooth interaction between board members;
   (v) He shall be assiduous;
   (vi) He shall have sufficient time to carry out his responsibilities.

2. No person disqualified, either permanently or temporarily, under the Corporation's Manual on Corporate Governance shall be allowed to serve as an independent director.

E. Number of Independent Directors

1. The Corporation shall have at least three (3) independent directors, or such number of directors such that they constitute at least one-third (1/3) of the members of the Board of Directors, whichever is higher. The nomination and election of independent directors shall be in accordance with the Amended By-Laws of the Corporation.

F. Nomination and Election of Independent Director/s

1. The nomination of independent directors shall be conducted by the Corporate Governance Committee prior to the stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.

2. The Committee shall pre-screen the recommended nominees for qualifications and disqualification, and thereafter prepare a final list of all candidates. The Committee shall put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent directors.

3. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV(A) and (C) of Annex "C" of SRC Rule 12.

4. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No

further nominations shall be entertained or allowed on the floor during the actual annual stockholders'/memberships' meeting.

5. Election of Independent Director/s

   (i) The conduct of the election of independent director/s shall be made in accordance with the standard election procedures of the Corporation or its by-laws.

   (ii) It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent director/s. He shall ensure that an independent director/s is elected during the stockholders' meeting.

   (iii) Specific slot/s for independent directors shall not be filled-up by unqualified nominees.

   (iv) In case of failure of election for independent director/s, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

G. Independent Directors are only allowed to serve for a maximum cumulative term of nine (9) years. After which, the independent director is perpetually barred from re-election as such.

An independent director barred from re-election as such may continue to qualify for nomination and election as a non-independent director.

In the event that the Corporation wants to retain the independent director after serving nine (9) years, the Board should provide meritorious justification/s and seek the approval of the stockholders in the Annual Stockholders' Meeting.

3. Significant employee

**Ronald Ron D. Dimatatac.** Mr. Dimatatac, 28, Filipino, Certified Public Accountant (CPA) and Real Estate Broker and Appraiser has served as Financial Accountant since August 2018. He worked with SyCip Gorres Velayo & Co. (SGV & Co.) from September 2014 to September 2016 as an Assurance Associate and Senior Assurance Associate from October 2016 to July 2018.

4. Family Relationships

Dr. Lucio C. Tan, Chairman and CEO, is the husband of Ms. Carmen K. Tan, incumbent director; is the father of Ms. Vivienne K. Tan and Mr. Michael G. Tan, incumbent directors; and the father-in-law of Mr. Joseph T. Chua, President and COO. Messrs. Lucio C. Tan III and Eduardo Luis T. Luy are grandsons of Dr. Lucio C. Tan.

5. Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers or control persons of the Corporation have been involved in any legal proceeding being the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, or a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business,

securities, commodities or banking activities, which is not subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, which has not been reversed, suspended or vacated, for the past five (5) years up to the latest date that is material to the evaluation of his ability or integrity to hold the relevant position in the Corporation.

During the last two (2) years, the Corporation has not had any transaction or proposed transaction in which any director, executive officer, nominee or stockholder had a direct or indirect interest.

6. Certain Relationships and Related Transactions

For a detailed discussion of our material related party transactions, *see* Note 18 of the MacroAsia Group's Notes to Consolidated Financial Statements (pages 66-69).

a. Part of the Group's excess cash are deposited in savings and current accounts and placed with Philippine National Bank ("PNB"), an affiliated company under common control, at very competitive rates and based on the outstanding cash balance at the end of the interest earning period. MacroAsia Corporation also leases the office space it currently occupies from PNB at the bank's current prevailing rental rate. MacroAsia Mining Corporation also entered into a five-year lease contract with Philippine National Bank (formerly Allied Banking Corporation) for its office space starting January 1, 2016. The Corporation and its subsidiaries have not been given any preferential treatment in any of its transactions with PNB and continues to lease the office space under the last contract's terms and conditions.

b. MAPDC, as an ecozone operator, leases land from MIAA and subsequently leases the same to its Ecozone locators which include LTP, an affiliate. The rental charge, which is at normal market rate, is subject to a fixed price escalation and deposit. Monthly fees due from LTP are equivalent to MAPDC's cost of leasing the land from MIAA, plus administrative fees. In Cebu, LTP has assigned its lease agreement with MCIAA to MAPDC for MAPDC to administer and sublease. The arrangement is similar to the lease setup between MAPDC and LTP in the MacroAsia Ecozone in Pasay City, except that for Cebu, it will be a lease pass-on arrangement until the area becomes an ecozone. MAPDC has outstanding advances to MAATS, MMC, WBSI, CBRI, PWRI, MPRDC, SNVRDC, BTSI and NAWASCOR which were eliminated in the consolidation process.

c. MASCORP provides ground handling services to various airline companies at NAIA and MCIA, including Air Philippines ("Air Phil."), an affiliate under common control. In September 2011, MASCORP started providing ground handling services to Philippine Airlines (PAL), an affiliated company under common control. The ground handling service rates being charged to Air Philippines and PAL are competitive and resulted from negotiations between the companies. MASCORP bills LTP for ground handling services rendered on behalf of its clients. MASCORP also leases ground-handling equipment from PAL and pays Air Phil. for its shares on the rental and utilities in NAIA.

d. MACS has outstanding payables to PAL representing PAL's share in the operation of the passenger lounge at NAIA. In September 2011, MACS started providing catering services to PAL under competitive rates. MACS also leases airline catering

equipment from PAL. In 2014 and 2013, MACS provided an unsecured and non-interest bearing cash advances to MacroAsia WLL.

e. The Parent Company and its subsidiaries have a trust fund for the employees' retirement plan with Philippine National Bank (formerly Allied Bank Corporation) as the fund manager. The Group has not been given any preferential treatment in any of its transactions with PNB.

f. There are no other on-going contractual or other commitments between the Group and the aforementioned affiliates.

g. There are no other material transactions with and/or dependent on related parties not discussed above and in the Notes to Consolidated Financial Statements.

There are no other parties that fall outside the definition of "related parties" under Philippine Accounting Standards (PAS) 24 with whom the Corporation or its related parties have a relationship that enabled the parties to negotiate terms of material transactions which would otherwise not have been available from others or independent parties on an arm's length basis.

7. Commercial relations between holders of significant equity (5% or more)

PAL Holdings, Inc. (formerly Baguio Gold Holdings Corp.) and Conway Equities, Inc. each own 7% of the total outstanding common stock of the Corporation.

Pan-Asia Securities Corporation owns 5.92% of the total outstanding common stock of the Corporation.

8. Resignation of Directors

Mr. Rex Vincent Young resigned as director effective December 12, 2019. Mr. Young served as member of the Board of Directors from July 19 until December 12, 2019.

## Item 6. Compensation of Directors and Executive Officers

(a) Executive Compensation:

The following table summarizes the actual aggregate compensation of all directors and officers of the Corporation for 2018 and 2019, as well as the estimated aggregate compensation for the year 2020:

### *Summary Compensation Table*

| Name and Principal Position | Year | Salaries (₱'mil) | Bonus | Other Annual Compensation |
|---|---|---|---|---|
| Executive Officers[1]<br>Lucio C. Tan, CEO<br>Joseph T. Chua, President/COO<br>Atty. Marivic T. Moya, VP-Human Resources, Legal and External Relations, Compliance Officer/Corporate Information Officer | **2018** (Actual) | 25.47 | 35.75 | 1.56 |

| | | | | |
|---|---|---|---|---|
| Amador T. Sendin, Chief Financial Officer, VP-Administration & Business Development<br>Atty. Florentino M. Herrera III, Corporate Secretary<br>All Other Directors and Officers as a Group Unnamed | | 5.81 | 31.89 | 0.84 |
| Executive Officers[1]<br>Lucio C. Tan, Chairman/CEO<br>Joseph T. Chua, President/COO<br>Atty. Marivic T. Moya, SVP-Human Resources, Legal and External Relations, Chief Compliance Officer/Corporate Information Officer<br>Amador T. Sendin, Chief Financial Officer, Chief Risk Officer, SVP-Administration<br>Belgium S. Tandoc, Data Protection Officer, VP-Business Development<br>Atty. Florentino M. Herrera III, Corporate Secretary<br>All Other Directors and Officers as a Group Unnamed | **2019** (Actual) | 36.24<br>5.42 | 39.90<br>39.07 | 2.45<br>0.98 |
| Executive Officers[1]<br>Lucio C. Tan, Chairman/CEO<br>Joseph T. Chua, President/COO<br>Atty. Marivic T. Moya, SVP-Human Resources, Legal and External Relations, Chief Compliance Officer/Corporate Information Officer<br>Amador T. Sendin, Chief Financial Officer, Chief Risk Officer, SVP-Administration<br>Belgium S. Tandoc, Data Protection Officer, VP-Business Development<br>Atty. Florentino M. Herrera III, Corporate Secretary<br>All Other Directors and Officers as a Group Unnamed | **2020** (Estimate) | 38.05<br>5.69 | 41.90<br>41.02 | 2.57<br>1.03 |

[1]*There are no other persons occupying the position of Executive Officer except as disclosed herein.*

(b) Compensation of Directors

1. In accordance with the Corporation's By-laws, members of the Board do not receive any regular compensation from the Corporation, except for per diems for every regular or special Board meeting, or committee meeting actually attended. For their attendance at the said meetings, members of the Board of Directors receive a per diem ranging from ₱ 30,000 to ₱200,000.

2. The Corporation's By-Laws also specify that the directors are entitled to additional compensation in an aggregate amount not exceeding five percent (5%) of the Corporation's net profit before tax. This variable pay plan for the Board of Directors was implemented starting 2005 in accordance with a performance-based schedule and such additional pay for the Board is contingent entirely on the financial results of the Group.

   There are no material terms of, nor any other arrangements with regard to compensation as to which directors are compensated, or are to be compensated, directly or indirectly, for any services provided as a director other than those specified in the By-laws.

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

1. Executive officers' compensation consists of a monthly negotiated salary, a fixed monthly allowance, and 13th month pay. Since 2005, a performance-based incentive plan has also been authorized for officers and staff, resulting in additional variable pay which may or may not occur in a reporting year, depending on the Corporation's audited results from its operations.
2. There are no other compensatory plans or arrangements with the named executive officers, which result or will result from the resignation, retirement or any other termination of the executive officer's employment with the Corporation and its subsidiaries or from a change-in-control of the Corporation or a change in the named executive officer's responsibilities following a change-in-control.

(d) Warrants and Options Outstanding

The Corporation has no outstanding warrants and options.

## Item 7. Independent Public Accountants

(a) SyCip Gorres Velayo & Co. (SGV) will be recommended to security holders as the Corporation's independent public accountants for the current year (2020). SGV was the Corporation's external auditor for the previous year. SGV has already implemented SRC Rule 68 paragraph 3(b)(iv) which requires the rotation of assignments of audit engagement partners every five (5) years.

(b) There were no changes in, nor disagreements with, SGV during the last three (3) years or any subsequent interim periods.

(c) Representatives of the independent public accountants 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 expected to be available to respond to appropriate questions.

(d) The Audit Committee reviewed, evaluated and approved the policies and procedures for the professional services rendered by SGV. The Corporation's Audit Committee is composed of Mr. Johnip G. Cua, as Chairman, with Messrs. Lucio C. Tan III, Michael G. Tan, Ben C. Tiu, Samuel C. Uy, and Ms. Marixi Prieto, as members.

## Item 8. Retirement Plan

The Group's retirement plan covers substantially all of its regular employees and provides benefits based on years of service and compensation on the last year of employment. (For additional details on retirement benefits plan, refer to Notes 18 and 21 of the attached Notes to the Financial Statements on Related Party Transactions and Retirement Benefits, respectively.)

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

# C. ISSUANCE AND EXCHANGE OF SECURITIES

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

During the Special Board of Directors' Meeting held on April 30, 2020, the Corporation approved the amendment of the Php 0.25/share cash dividends, which was declared on March 6, 2020 to shareholders of record as of April 3, 2020 and payable on May 4, 2020, to 20% stock dividends equivalent to 315,159,739 shares. Any resulting fractional shares to be dropped. The stock dividends are to be paid out from the unrestricted retained earnings of the Corporation as of December 31, 2019. The record date for the 20% stock dividends remains April 3, 2020. The declaration of stock dividends shall be subject to the approval of the stockholders at the 2020 Annual Stockholder's Meeting.

Pursuant to its Amended Articles of Incorporation, the authorized capital stock of the Corporation is Two Billion (2,000,000,000) common shares, with a par value of One Philippine Peso (₱1.00) per share. Out of the authorized capital stock, 1,575,798,693 of the Corporation's shares are issued and outstanding. The Corporation does not have any preferred shares.

In accordance with the Corporation's By-Laws and Manual on Corporate Governance, the stockholders of the Corporation are entitled to the following rights: (1) right to vote, (2) right to information, (3) right to dividends, (4) appraisal right, and (5) right to inspect the corporate books. No stockholder shall, because of his ownership of stock of the Corporation, have any pre-emptive right or other preferential right to purchase, subscribe for, or take any part of any stock or of any other securities convertible into or carrying option or warrants to purchase stock of the Corporation. For a more detailed discussion, refer to Annex D of this report, page 58.

There are no provisions in the Corporation's Articles of Incorporation or By-Laws that would delay, defer or prevent a change in control of the Corporation.

## Item 10. Modification or Exchange of Securities

There are no matters or actions to be taken up in the meeting with respect to the modification of the Corporation's securities or the issuance of authorization for issuance of one class of the Corporation's securities in exchange for outstanding securities of another class.

## Item 11. Financial and Other Information

(a) The audited consolidated financial statements of the Group as of December 31, 2019 and 2018, and Management's Discussion and Analysis are attached hereto as Annex C. The Group's Market Price of Shares and Dividends and other data related to the Corporation's financial information are attached hereto as Annex D. The Schedules required under Part IV (e) of Rule 68 are included in the Annual Report (SEC Form 17-A).

(b) The consolidated financial statements of the Group have been prepared under the historical cost method, except for available-for-sale (AFS) investments, which are carried at fair value.

### Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

There are no matters or actions to be taken up in the meeting with respect to merger, consolidation, acquisition by, sale or liquidation of the Corporation.

### Item 13. Acquisition or Disposition of Property

There are no matters or actions to be taken up in the meeting with respect to acquisition or disposition of any property by the Corporation.

### Item 14. Restatement of Accounts

The consolidated financial statements of the Group have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS).

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new accounting pronouncements starting January 1, 2019.See Note 2 – Summary of Significant Accounting and Financial Reporting Policies of the attached Notes to the Consolidated Financial Statements for a more detailed discussion (pages 2-33).

There are no matters or actions to be taken up in the meeting with respect to the restatement of any asset, capital, or surplus account of the Group.

## D. OTHER MATTERS

### Item 15. Action with Respect to Reports

The Board of Directors of the Corporation recommends a vote for confirmation, ratification and approval of the following matters:

1. Approval of the Minutes of the Annual Stockholders' Meeting held on July 19, 2019

The minutes of the last Annual Stockholders' Meeting held on July 19, 2019 (pages 63 to 78) will be submitted for approval of the stockholders. A copy of the minutes of the Minutes of the 2019 Annual Stockholders' Meeting is attached hereto.

The minutes of the July 19, 2019 Annual Stockholders' Meeting contain the following items:

a. Call to Order
b. Certification of Notice
c. Certification of Quorum
d. Approval of the Minutes of the 2018 Annual Stockholders' Meeting held on 20 July 2018
e. President's Report
f. Financial Report on Results of Operations for 2018
g. Approval of the Annual Report and the Audited Financial Statements for the year ended 31 December 2018
h. Amendment of By-Laws to Change the Date of the Annual Stockholders' Meeting

i. Approval, Confirmation and Ratification of all Acts, Proceedings and Resolutions of the Board of Directors and Management since the Annual Stockholders' Meeting held on 20 July 2018
j. Election of Directors
k. Appointment of External Auditor
l. Adjournment

2. Approval of President's Report and the Audited Financial Statements

The President's Report and the Corporation's Audited Financial Statements as of December 31, 2019 will be presented to the stockholders for approval.

Stockholders shall be furnished copies of the above-mentioned reports/minutes on or before the date of the Annual Stockholders' Meeting.

The President's Report will apprise the shareholders of developments during the past year and provide highlights for the ensuing year.

## Item 16. Matters not required to be submitted

All matters or actions to be taken up in the meeting require the vote of the security holders.

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

The Corporation intends to present, for the approval of at least a majority of the outstanding capital stock, the amendment of Article II, Section 2.01 the By Laws to revise the date of the Annual Stockholders' Meeting from 3rd Friday of July to 2nd Thursday of May, starting 2021. After due consideration, the Board of Directors deemed that it was in the stockholders' best interest to hold the Annual Stockholders' Meeting closer to the calendar year closing date (December 31). As a result of the change in date of the Annual Stockholders' Meeting, the stockholders will be apprised sooner of the Presidents' Report, the Corporation's Financial Report, and Consolidated Audited Financial Statements;

The Corporation intends to present, for the approval of at least majority of the outstanding capital stock, the amendment of Article III, Section 3.01 of the By-Laws to reduce the Number of Qualifying Shares of Directors from One Hundred Thousand (100,000) Shares to One Thousand (1,000) Shares. This will widen the field of possible qualified directors for the Corporation as the lower number of shares to be held will not be a major constraint for many shareholders. Also, the lesser number of shares required for the 11 MAC directors to hold and qualify as directors will make more shares available for the market, rather than if 100,000 shares will be locked up for each director during their tenure of service.

## Item 18. Other Proposed Actions

(a) Ratification/Approval of all acts and resolutions of the Board of Directors as set forth below:

a. During the Regular Board of Directors' Meeting held on July 19, 2019

i. Amendment of Article III, Section 3.01 of the By-Laws to reduce the Number of Qualifying Shares of Directors from One Hundred Thousand (100,000) Shares to One Thousand (1,000) Shares

b. During the Regular Board of Directors' Meeting held on 12 December 2019

i. Reversal of the appropriation for water projects amounting to ₱300.0 million and appropriation of ₱850.0 million for various projects to be undertaken by the Group.

c. During the Regular Board of Directors' Meeting held on March 6, 2020

i. Approval of Audited Financial Statements for the Year Ended 31 December 2019

ii. Approval of additional ₱200,000,000 funding to the 2017 Share Buyback Program

iii. Approval of management's authority to sell treasury shares

iv. Approval on the amendment of the By Laws to revise the date of the Annual Stockholders' Meeting from 3rd Friday of July to 2nd Thursday of May, starting 2021

v. Declaration of cash dividends in the amount of Php 0.25 (twenty five centavos) per share or an aggregate amount of Three Hundred Ninety Three Million Nine Hundred Forty Nine Thousand Six Hundred Seventy Three Pesos (Php 393,949,673) from the unrestricted retained earnings of the Corporation, based on its Audited Financial Statements as of 31 December 2019 payable on or before May 4, 2020 to stockholders of record of the Corporation as of April 3, 2020. (This was subsequently amended to 20% stock dividends during the Special Board Meeting of the Corporation held on 30 April 2020.)

d. During the Special Board of Directors' Meeting held on April 30, 2020

i. The Board of Directors approved the amendment of the Php 0.25/share cash dividends declared on March 6, 2020 to shareholders of record as of April 3, 2020 payable on May 4, 2020 to 20% stock dividends equivalent to 315,159,739 shares with any resulting fractional shares to be dropped, to be paid out from the unrestricted retained earnings of the Corporation as of December 31, 2019. Record date for the 20% stock dividends remains April 3, 2020. The stock dividend declaration is subject to the approval of the shareholders during the Annual Shareholders' Meeting to be held on July 17, 2020.

(b) Ratification/Approval of all other acts and resolutions of the Board of Directors duly adopted in the normal course of trade or business, such as appointment of officers and external auditors, filing of cases, opening of bank accounts, execution of contracts, procurement of loans, sale and/or acquisition of assets and applications for permits and incentives.

(c) There are no other acts and resolutions of the Board of Directors from July 19, 2019 up to the present that need ratification.

## Item 19. Voting Procedures

(a) Vote Required for Approval of Matters/Election of Directors:
- Approval of Minutes of Previous Stockholders' Meeting - majority vote
- President's Report - majority vote
- Financial Report on Results of Operations for 2019 – majority vote
- Audited Financial Statements - majority vote
- Amendment of Article II, Section 2.01 of the By-Laws to change the date of the Annual Stockholders' Meeting from "3rd Friday of July" to "2nd Thursday of May", starting 2021 – majority vote
- Amendment of Article III, Section 3.01 of the By-Laws to reduce the Number of Qualifying Shares of Directors from One Hundred Thousand (100,000) Shares to One Thousand (1,000) Shares – majority vote
- Declaration of Twenty Percent (20%) Stock Dividends from the Unissued Portion of the Authorized Capital Stock – two-thirds vote
- Ratification/Approval of all Acts and Resolutions of the Board of Directors - majority vote
- Election of Directors - The eleven (11) nominees with the highest number of votes will be elected directors.
- Appointment of External Auditors - majority vote.

(b) Method By Which Votes Will Be Counted

The Company's By-laws does not prescribe a specific manner of voting by stockholders. For this year's Annual Stockholders' Meeting, the Board of Directors approved a resolution allowing stockholders to participate in the meeting via remote communication and to vote *in absentia* or by proxy.

Stockholders as of Record Date who have successfully registered their intention to participate in the annual meeting via remote communication and to vote *in absentia*, duly verified and validated by the Corporation, shall be provided with unique log-in credentials to securely access the voting portal.

Stockholders and proxy holders can then cast their votes on specific matters for approval, including the election of directors. Each common share shall be entitled to one vote. The votes of the stockholders or proxy holders must be cast on or before July 10, 2020.

Total votes cast shall be accounted for/tabulated manually during the meeting. Only the Corporate Secretary and staff of Stock and Transfer Agent are the persons authorized to count the votes.

Pursuant to the Corporation's By-laws, duly accomplished proxy forms must be submitted to the Corporate Secretary at least ten (10) business days before opening of the annual meeting. Duly accomplished proxies must be submitted via email to

macasm@macroasiacorp.com, not later than 3 July 2020. A sample format of the proxy form for individual, corporate stockholder and PCD participants/brokers are hereto attached as part of the *Guidelines for Participating via Remote Communication and Voting In Absentia* and are also available at the Corporation's website at http://www.macroasiacorp.com/asm.

The Corporate Secretary will lead the validation of proxies, in coordination with the Corporation's stock and transfer agent. Any questions and issues relating to the validity and sufficiency of proxies, both as to form and substance, shall be resolved by the Corporate Secretary. The Corporate Secretary's decision shall be final and binding on the stockholders, and those not settled at such forum shall be deemed waived and may no longer be raised during the meeting.

The detailed guidelines for participation and voting for this meeting are set forth in the "Guidelines for Participating via Remote Communication and Voting *in Absentia*" on pages 88-91.

# UNDERTAKING

**Upon written request of the stockholders, the Corporation undertakes to furnish a copy of SEC Form 17-A free of charge. Any written request for a copy of SEC Form 17-A shall be addressed to the following:**

**MACROASIA CORPORATION**
**12th Floor PNB Allied Bank Center**
**6754 Ayala Avenue, Makati City**

**Attention: Ms. Gladys Lorraine P. Salamatin**
**Assistant Compliance Officer/**
**Investor Relations Officer**

**At the discretion of management, a charge may be made for exhibits, provided such charge is limited to reasonable expenses incurred by the Corporation in furnishing such exhibits.**

# SIGNATURE PAGE

Pursuant to the requirements of the Securities Regulation Code, the Corporation has duly caused this report to be signed on its behalf by the undersigned hereto duly authorized.

After reasonable inquiry and to the best of our knowledge and belief, the Corporation certifies that the information set forth in this report is true, complete and correct. This report is signed in the city of Makati on 15 June 2020.

**MACROASIA CORPORATION**
Registrant

By:

**JOSEPH T. CHUA**
President and Chief Operating Officer

**AMADOR T. SENDIN**
Chief Financial Officer

**ATTY. FLORENTINO M. HERRERA III**
Corporate Secretary

# ANNEX A – DIRECTORS AND EXECUTIVE OFFICERS

***Term of Office***

The Directors' term of office is one year. Election for the Board of Directors is conducted during the annual stockholders' meeting held every third Friday of July.

***Board of Directors****

The following are the incumbent members of the Board of Directors:

| Name | Position | Committee Membership |
|---|---|---|
| Dr. Lucio C. Tan | Chairman of the Board and Chief Executive Officer | Chairman – Investment Committee |
| Carmen K. Tan | Director | Member – Investment Committee |
| Lucio C. Tan III[1] | Director | Member – Corporate Governance, Audit, Related Party Transactions, Compensation and Investment Committees |
| Vivienne K. Tan | Director | Member – Risk Management and Investment Committees |
| Joseph T. Chua | President and Chief Operating Officer | Member – Investment, Mining and Risk Management Committees |
| Michael G. Tan | Director | Member – Audit, Compensation, Risk Management and Mining Committees |
| Eduardo Luis T. Luy[1] | Treasurer | Member – Mining Committee |
| Johnip G. Cua | Lead Independent Director | Chairman – Audit, Compensation and Mining Committees<br>Member – Corporate Governance, Related Party Transactions, Investment and Risk Management Committees |
| Ben C. Tiu | Independent Director | Chairman – Risk Management Committee<br>Member – Corporate Governance, Audit, Related Party Transactions and Compensation Committees |
| Marixi R. Prieto | Independent Director | Chairperson –Corporate Governance and Related Party Transactions Committees<br>Member – Audit and Risk Management Committees |
| Samuel C. Uy | Independent Director | Member – Corporate Governance, Audit, Related Party Transactions, Compensation and Risk Management Committees |
| Lucio K. Tan, Jr.[2] | Treasurer | Chairman – Mining Committee<br>Member – Corporate Governance, Related Party Transactions, Compensation and Investment Committees |
| Jaime J. Bautista[3] | Treasurer | Member – Audit and Compensation Committees |
| Rex Vincent Young[4] | Director | Member – Audit |

**The Directors' term of office is one year. Election for the Board of Directors is conducted during the annual stockholders' meeting held every third Friday of July.*

*[1] Elected on December 12, 2019*

*[2] Passed away on November 11, 2019*

*[3] Resigned effective July 19, 2019*

*[4] Resigned effective December 12, 2019*

***Nominees***

The following are the Final List of Candidates for directors as determined by the Corporate Governance Committee of the Corporation:

| | | | |
|---|---|---|---|
| 1. | Dr. Lucio C. Tan | – | Executive Director (Chairman & CEO) |
| 2. | Carmen K. Tan | – | Non-Executive Director |
| 3. | Lucio C. Tan III | – | Non-Executive Director |
| 4. | Vivienne K. Tan | – | Non-Executive Director |
| 5. | Joseph T. Chua | – | Executive Director (President & COO) |
| 6. | Michael G. Tan | – | Non-Executive Director |
| 7. | Eduardo Luis T. Luy | – | Executive Director (Treasurer) |
| 8. | Johnip G. Cua | – | Lead Independent Director |
| 9. | Ben C. Tiu | – | Independent Director |
| 10. | Marixi R. Prieto | – | Independent Director |
| 11. | Samuel C. Uy | – | Independent Director |

***Dr. Lucio C. Tan.*** Mr. Tan, 85, Filipino, has served as Chairman of the Board of Directors since July 2015 and as Chief Executive Officer since December 14, 2015. During the span of 50 years, Dr. Tan founded, and became the Chairman & Chief Executive Officer/Director of: Allied Bankers Insurance Corporation (since 1980); Asia Brewery, Inc. (since March 1979); Basic Holdings Corp. (since July 1983); Eton Properties Philippines, Inc. (since February 2007); Foremost Farm Inc. (since April 1970); Fortune Tobacco Corp. (since 1965); Grandspan Development Corp. (since July 1996); Himmel Industries, Inc. (since November 1960); Lucky Travel Corporation (since June 1983); and The Charter House Inc. (since July 1980). Dr. Tan has also acquired and is the Chairman and CEO/Director of Tanduay Distillers Inc. (since May 1988); University of the East (since 1990); Philippine Airlines, Inc. (since March 1, 1993); Philippine National Bank (since December 1999); LT Group, Inc. (formerly Tanduay Holdings Inc., since July 1999); Air Philippines Inc. (since 1999); PAL Holdings Inc. (since October 2000), Mabuhay Miles, Inc. (since 2016) and Mabuhay Maritime Express Transport Inc., (since 2016).

Dr. Tan founded Allied Banking Corporation in April 1977, which merged with Philippine National Bank ("PNB") in March 2012.

Another company founded by Dr. Tan, Fortune Tobacco Corporation, entered into a joint venture with Philip Morris International in 2010. The company is now known as Philip Morris Fortune Tobacco Corporation (PMFTC), and Dr. Tan now sits as the Chairman of the Board of Directors.

Dr. Lucio Tan holds a Doctor of Philosophy degree, Major in Commerce from the University of Santo Tomas and a Bachelor of Science degree in Chemical Engineering from Far Eastern University.

***Carmen K. Tan.*** Mrs. Tan, 79, Filipino, has served as a Director of the Corporation since July 2012. Aside from her membership in the Board of Directors of the Corporation, Ms. Tan currently also serves as a Director of the following companies; Buona Sorte Holdings, Inc. (since 1978); Dynamic Holdings, Ltd. (since 2019); Eton City, Inc. (since 1970); Fortune Tobacco Corp. (since 1965); Himmel Industries, Inc. (since 1960); LT Group, Inc. (since 2013); Manufacturing Services and Trade Corp. (since 1979); Progressive Farms, Inc. (since 2004); Philippine Airlines Inc. (since 2013) PAL Holdings, Inc. (since 2014); Philippine National Bank (since 2016); PMFTC Inc. (since 2010); Sipalay Trading Corp. (since 2005); Saturn Holdings, Inc. (since 1979); Tanduay

Distillers, Inc. (since 2005); Tangent Holdings, Corp. (since 2005); The Charter House, Inc. (since 2005), and Trustmark Holding, Corp. (since 2000). Mrs. Carmen K. Tan is Incorporator of the following Corporations: Asia Brewery, Inc. (since 1979), Dominium Realty & Construction Corp. (since 1978), Foremost Farms, Inc. (since 1970), Lucky Travel Corp. (since 1983) and Shareholdings, Inc. (since 1979).

Mrs. Tan is a distinguished alumna of the Paco Chinese School and the University of the East, Manila.

***Lucio C. Tan III***, Mr. Tan, 27, Filipino, has served as Director of the Corporation since December 2019. Since December 2019, Mr. Tan has also served on the Board of Directors of the following corporations: LT Group, Inc., PAL Holdings, Inc., Philippine Airlines, PAL Express, Lufthansa Technik Philippines, Inc., MacroAsia Catering Services, Inc., MacroAsia SATS Inflight Services Corporation, MacroAsia Airport Services Corporation, MacroAsia Properties Development Corporation, Asia's Emerging Dragon Corporation and Lucky Travel Corporation. He is currently the President and CEO of Tanduay Distillers Inc.

Before joining the group, he worked as Head Software Engineer for Lyft from April 2018 to 2019, and as Intern for Facebook, Apple and Cisco. He joined organizations like the Stanford Asian Student Entrepreneur Society, where he served on the Executive Board and as Finance Officer, and the Stanford Tau Beta Pi Engineering Honors Society as a member.

Mr. Tan took his Masters Degree in Computer Science and graduated with the highest award given to engineering seniors of Stanford University USA - The Frederick E. Terman Award in 2015 for the course M.S. in Computer Science. He was also awarded the President's Award for Academic Excellence in his Freshman Year and admitted to the Tau Beta Pi Honors Society for his Junior and Senior years.

***Vivienne K. Tan.*** Ms. Tan, 52, Filipino, has served as Director of the Corporation since July 2019. She also serves as a member of the Board of Directors of: (i) LT Group, Inc., (ii) Eton Properties Philippines, Inc., and (iii) PNB. She is a member of the Board of Trustees of (i) University of the East, and (ii) University of the East Ramon Magsaysay Memorial Medical Center. She is an Executive Director of Dynamic Holdings Limited. She is also the Executive Vice President, Treasurer and Chief Administrative Officer of PAL. Ms. Tan is also the Founding Chairperson of Entrepreneurs School of Asia, and is the Founder and President of the Thames International Business School.

Ms. Tan has a Bachelor of Science Double Degree in Mathematics and Computer Science from the University of San Francisco, USA. She also has a Post-Graduate Diploma in Fashion Design and Manufacturing Management from the Fashion Institute of Design and Merchandising in Los Angeles.

***Joseph T. Chua.*** Mr. Chua, 64, Filipino, has been a member of the Corporation's Board of Directors since August 1997. He is currently the President and COO of MacroAsia Corporation, a position he has held since December 15, 2015. Prior to this, he was the CEO of MacroAsia Corporation from July 2003 to December 14, 2015. He is also the President and a member of the Board of Directors of the following corporations: (i) MacroAsia Catering Services, Inc. (since July 2003), (ii) MacroAsia Airport Services Corp. (since 2000), (iii) MacroAsia Properties Development Corporation (since 2013), (iv) MacroAsia Air Taxi Services (since 2004), (v) MacroAsia Mining Corporation (since 2012), (vi) MacroAsia SATS Food, Inc. (since 2015), (vi) MacroAsia SATS Inflight Services Corporation (since March 2019), (vii) Watergy Business Solutions Inc. (since 2014) and Allied Water Services, Inc. (since June 2002).

Mr. Chua is also the Chairman of the Board of Directors of the following corporations: (i) J.F. Rubber Phils. (since 1993), (ii) MacroAsia Air Taxi Services (2001-2003), (iii) Watergy Business Solutions Inc. (2011-2013), (iv) Cavite Business Resources Inc. (since 2011), (v) MacroAsia Properties Development Corporation (2003-2012), (vi) MacroAsia Mining Corporation (2004-2012), (vii) Boracay Tubi System, Inc. (since December 2016), (viii) Naic Water Supply Corporation (since August 2017), (ix) First Aviation Academy, Inc. (since December 2017), (x) Summa Water Resources, Inc. (since October 2018), (xi) Alliedkonsult Eco-solutions Services Corporation (since November 2019) and Cavite Alliedkonsult Services Corporation (since November 2019).

He also served/serves as a director of: (i) PAL Holdings, Inc. (October 2014-January 2018 and October 2019-Present), (ii) Philippine Airlines, Inc. (August 2003-March 2012 and October 2014-January 2018), (iii) Air Philippines Corporation (February 2015-January 2018), (iv) Bulawan Mining Corporation (since June 2009-January 2018), (v) PNB Management & Development Corporation (since June 2009-January 2018), (vi) ETON Properties Philippines, Inc. (May 2013–September 2017), (vii) Lufthansa Technik Philippines, Inc. (since 2000) and LTG, Inc. (June 2014-February 2018). His other business affiliations include: (i) Philippine National Bank, as director (May 2014-May 2015) and Board Advisor (May 2015-February 2018), (ii) Eton City Inc., (since May 2013), (iii) Belton Communities, Inc. (since May 2013), (iv) FirstHomes Inc. (since May 2013) and (v) PNB General Insurers Co., Inc. (August 2014-February 2018).

Mr. Chua holds a Master of International Finance degree from the University of Southern California, USA and a double degree of Bachelor of Arts in Economics and Bachelor of Science in Business Management from De La Salle University.

***Michael G. Tan.*** Mr. Tan, 54, Filipino, has served as Director since 17 July 2015. He serves as the President and Chief Operating Officer of LT Group, Inc., Asia Brewery, Inc., and Director of the following companies: Eton Properties Philippines, Inc., Philippine National Bank, PMFTC Inc., Tanduay Distillers, Inc., Victorias Milling Co. and Philippine Airlines, Inc.

Mr. Michael Tan holds a Bachelor of Science degree in Applied Science in Civil Engineering, major in Structural Engineering, from the University of British Columbia, Canada.

***Eduardo Luis T. Luy.*** Mr. Luy, 27, Filipino, has served as Director and Treasurer of the Corporation since December 12, 2019. He worked in Reyes Tacandong & Co. from 2015-2018.

Mr. Luy holds a Master in Business Administration from Asian Institute of Management and a Bachelor of Science degree in Business Administration from the University of the Philippines-Diliman.

***Johnip G. Cua.*** Mr. Cua, 63, Filipino, has served as Independent Director of the Corporation since 2006. He was formerly the President of Procter & Gamble Philippines Inc. (1995-2006). He currently serves as the Chairman of the Board of the P&Gers Fund Inc. (since 2009) and Xavier School, Inc. (since 2012), and the Chairman & President of Taibrews Corporation (since 2011). Additionally, he serves as a member of the Board of Trustees of Xavier School Educational & Trust Fund (since 1996) and MGCC Foundation (since 2015).

Mr. Cua is an Independent Director of the following corporations: (i) BDO Private Bank (since 2008), (ii) Philippine Airlines Inc. (since 2014), (iii) PAL Holdings Inc. (since 2014), (iv) Century Pacific Food Inc. (since 2014), (v) LT Group Inc. (since 2018), (vi) Tanduay Distillers Inc. (since 2018), (vii) Asia Brewery Inc. (since 2018), (viii) Eton Properties Inc. (since May 2014), (ix) ALI Eaton Property Development Corp. (since July 2018), (x) MacroAsia Catering Services, Inc. (since

2007), (xi) MacroAsia Airport Services Corp. (since 2007), (xii) MacroAsia Properties Development Inc. (since 2013), (xiii) PhilPlans First Inc. (since 2009 ), and (xiv) First Aviation Academy Inc. (since 2017).

Mr. Cua is also a member of the Board of Directors of the following corporations: (i) Allied Botanical Corporation (since 2012), (ii) Alpha Alleanza Manufacturing Inc. (since 2008), (iii) Bakerson Corporation (since 2002), (iv) Interbake Marketing Corporation (since 1991), (v) Lartizan Corporation (since 2007), (vi) Teambake Marketing Corporation (since 1994), and (vii) Zenori Corporation (since 2018).

Mr. Cua holds a Bachelor of Science degree in Chemical Engineering from the University of the Philippines.

***Ben C. Tiu*** Mr. Tiu, 67, Filipino, has served as an Independent Director of the Corporation since July 2013. He is the Chairman of the Board of Directors of the following corporations: (i) Fidelity Securities (since 1993), (ii) Tera Investments, Inc. (since 2001), (iii) TKC Steel Corporation (since 2007Present), (iv) Treasure Steelworks Corp. (since 2005), and (v) BRJ Trading (since 1988). He also serves as the Chairman and President of JTKC Equities, Inc. (since 1993). He is currently the Executive Vice President of JTKC Leisure Group. He also serves as Director of I-Remit Inc. (since 2006).

Mr. Tiu holds a Master of Business Administration degree from the Ateneo De Manila University and a Bachelor of Science degree in Mechanical Engineering from Loyola Marymount University, USA.

***Marixi R. Prieto.*** Ms. Prieto, 79, Filipino, has served as an Independent Director of the Corporation since December 2015. She is the Chairman of the Board of Bataan 2020 Inc. She served/serves as a member of the Board of Directors in the following companies: (i) Philippine Daily Inquirer, (ii) Hinge Inquirer Publication Inc., (iii) Inquirer Interactive Inc., (iv) Inquirer Publications Inc., (v) Printown Group, (vi) Sunvar Inc., Investment and Marketing Association, (vii) Ionian Industrial Property Inc., (viii) Corinthian Industrial Property, Inc., (ix) HMR Enterprises, Inc., (x) Lexmedia Realty, Inc., (xi) Var Buildings, Inc., (xii) Parkside Realty Development Corporation, (xiii) Golden Pizza Inc., (xiv) Golden Donuts Inc., (xv) International Family Foods Services, Inc., (xvi) Mix-plant Inc., (xvii) LRP Inc., Pinnacle Printers Corporation, (xviii) Inquirer Holdings, Inc., (xix) Mediacom Equities, Inc., (xx) Matrix Resources Portfolio Holdings, Inc., (xxi) Excel Pacific Equities, Inc., and (xxii) Cebu Daily News.

Ms. Prieto is also the Treasurer of the following corporations: (i) Sunvar Realty Development Corporation, (ii) Marilex Realty Development Corporation, and (iii) Ionian Realty & Development Corporation.

Ms. Prieto holds a Bachelor of Science degree in Business Management from Assumption College Inc.

***Samuel C. Uy.*** Mr. Uy, 66, Filipino, has served as Independent Director since April 30, 2018. He is the current President and Administrator of Ricardo Limso Medical Center (since 2004), as well as the President and CEO of 3S Realty Corporation (since 2007) and Toril Sports Complex (since 2008). He is also the Vice President since 1986-2019 of Kaunlaran Development Corporation and Davao Farms Incorporated, and became the President since 2020. He is also the Vice President of Asaje Hotels (since 2020), Dimdi Centre Inc. (since 1986) and Daland Development Corporation. He is the Secretary of Millennium Cars Mindanao, and Treasurer for Dimdi Builders Inc. and Asaje Realty Corp. (since 2020).

Mr. Uy is also a director of Honda Cars Gensan, and an Independent Director of Philippine Airlines, Inc. (since March 2017).

Mr. Uy holds a Bachelor of Science degree in Agriculture from Xavier University. He also studied Bachelor of Science in Management at the Ateneo de Manila University.

***Executive Officers***

| Name | Position |
|---|---|
| Atty. Marivic T. Moya | Senior Vice President - Human Resources, Legal and External Relations, Chief Compliance Officer / Corporate Information Officer |
| Amador T. Sendin | Chief Financial Officer, Chief Risk Officer,<br>Senior Vice President - Administration |
| Belgium S. Tandoc | Vice-President - Business Development/ Data Protection Officer |
| Atty. Florentino M. Herrera III | Corporate Secretary |

***Atty. Marivic T. Moya***. Ms. Moya, 60, Filipino, has served as an Executive Officer since May 1999. She is the current Senior Vice President for Human Resources, Legal and External Relations, Chief Compliance Officer and the Chief Information Officer of MacroAsia Corporation. Prior to this, Atty. Moya was the Vice President for Human Resources, Legal and External Relations of MacroAsia Corporation and Compliance Officer (1999-2019).

She is also the Corporate Secretary of MacroAsia Catering Services Inc. (since 2004) and Director (since 2019), MacroAsia Airport Services Corp. (since 2004), MacroAsia Properties Development Corp. (since 2004) and Director (since 2019), Asia's Emerging Dragons Corp., and a Director and Corporate Secretary in MacroAsia Air Taxi Services, Inc. (since 2004), and MacroAsia Mining Corp. (since 2000), SNV Resources Development Corp., Boracay Tubi System, Inc., First Aviation Academy, Inc. (since 2017) and Summa Water Resources, Inc. (since October 2018).

She is also a Director in Naic Water Supply Corporation, Watergy Business Solutions Inc., and Cavite Business Resources Inc., Alliedkonsult Eco-solutions Corporation and Cavite Alliedkonsult Services Corporation (since 2019).

She is currently the Assistant Corporate Secretary of LT Group and PAL Holdings, Inc. She served as the Corporate Secretary of MacroAsia Corporation from 2004 to 2014. She is also the Corporate Secretary of Philippine Airlines, Inc. (since 2014). She worked with various Government Institutions from 1987 to 1999, holding key positions such as Legal Officer of the National Bureau of Investigation (NBI) from 1987-1989, Arbitration Specialist of Philippine Overseas Employment Administration (POEA) from 1989 to 1990, Director II (Chief, Legal Service) of Philippine Health Insurance Corporation from 1990 to 1996 and Graft Investigation Officer II at the Office of the Ombudsman from 1997 to 1999. She also held the position of Human Resources Manager of Grand Air from 1996 to 1997. She was a member of the Board of Trustees of the University of Santo Tomas Law Alumni Association (2010-2013).

Atty. Moya holds a Bachelor of Law degree from the University of Santo Tomas and a Bachelor of Arts degree, Major in Child Study from Maryknoll College.

***Amador T. Sendin***. Mr. Sendin, 57, Filipino, a Certified Public Accountant (CPA), has served as an Executive Officer since October 2003. He is the current Chief Financial Officer (since 2012), Chief Risk Officer and Senior Vice President for Administration of MacroAsia Corporation. He is also the Treasurer of MacroAsia Properties Development Corporation ( since 2013), Summa Water Resources, Inc. (since 2018), and the Treasurer and Director of MacroAsia Airport Services Corporation (since 2011), MacroAsia Air Taxi Services Inc. (since 2011), MacroAsia Mining Corporation (since 2004), Watergy Business Solutions Inc. (since 2010), Boracay Tubi System, Inc. (since 2016), Bulawan Mining Corporation (since 2018), First Aviation Academy Inc. (since July 2019), MacroAsia Catering Services Inc., MacroAsia SATS Food Industries Corporation, MacroAsia SATS Inflight Services Corporation (since June 2019), AlliedKonsult Eco-Solutions Corporation, and Cavite AlliedKonsult Services Corporation (since Dec 2019). He is currently the President of SNV Resources Development Corp. (since 2013), Cavite Business Resources Inc. (since 2016), Naic Water Supply Corporation (since 2017), and a Director of Cebu Pacific Catering Services, Inc. (since 2004)

Prior to this, Mr. Sendin was the Vice President for Business Development of MacroAsia Corporation (2003-2019), Treasurer and Director of Cavite Business Resources Inc. (2013-2016), Finance Manager of MacroAsia Catering Services, Inc. (2000-2003), and Finance Controller of MIASCOR Catering (1998-2000). He was Operations Head of Amikris Enterprises (1993-1998) and a Resource Person of the Central Bank Institute (Bangko Sentral Ng Pilipinas Institute) (1992-1997). He was Projects Supervisor for SAS Service Partners/Saudia Catering in KSA (1992-1993). Mr. Sendin started his career with the Central Bank of the Philippines (Bangko Sentral Ng Pilipinas) from 1983-1992, rising from a staff position until he became Division Chief/Staff Officer A.

Mr. Sendin is a holder of Masters in Accountancy from Polytechnic University of the Philippines, Bachelor of Science in Psychology from St. Louis University, and a Certificate in Organizational Development in 2000. He has also completed a Management Development Program in Switzerland.

***Belgium S. Tandoc,*** Mr. Tandoc, 50, Filipino, a Certified Financial Consultant and Certified Data Protection Officer, has served as Vice President for Business Development since July 2019. He joined the Business Development group of MacroAsia Corporation in March 2017. He is currently a Director of Naic Water Supply Corporation. Prior to joining the company, Mr. Tandoc served as the Vice President – Finance and Business Development for SCCI Advisors and SCCI Management and Insurance Agency, Inc. from 2004 to 2016 where he led and implemented various private and government projects including packaging LGU Bond flotations. Mr. Tandoc started his career as a Business Analyst at Credit Information Bureau, Inc. in 1991 and left as a Group Head in 1994. From there he moved up to various positions in several investment houses and management & financial advisory companies where he worked in various fields including investment banking, corporate finance, credit, treasury and project development.

He holds a Bachelor of Science in Business Administration – Management and Bachelor of Science in Social Work degrees from the Pamantasan ng Lungsod ng Maynila. He is a member of the Financial Executives of the Philippines.

***Atty. Florentino M. Herrera III,*** Atty. Herrera, 68, Filipino, has served as Corporate Secretary since December 2014. He is the Founding Partner of Herrera Teehankee & Cabrera Law Offices. He was a Partner of one of the largest law offices in the Philippines. He has been engaged in the general practice of law for the past forty-two (42) years, specializing in corporate law practice as counsel for various companies. Among others, he serves as Senior Adviser of CVC Asia Pacific

Limited; he is a director of Philippine Airlines, Inc. (PAL), Lufthansa Technik Philippines (LTP), and Alphaland Corporation. He is the Corporate Secretary of Allianz PNB Life Insurance, Inc.

Atty. Herrera holds a Bachelor of Arts in Political Science degree and a Bachelor of Laws degree (Cum Laude, Salutatorian) both from the University of the Philippines.

# ANNEX B – NATURE AND SCOPE OF BUSINESS

Originally under the name Infanta Mineral & Industrial Corporation, MacroAsia Corporation ("MAC") was incorporated in the Philippines on February 16, 1970 to engage in the business of geological exploration and development. As a mining firm, it exported nickel ore to Japanfrom its mine in Brooke's Point, Palawan during the 1970's. On January 26, 1994, its Articles of Incorporation was amended to change its primary purpose from geological exploration and development to that of engaging in the business of a holding company and to change its corporate name to Cobertson Holdings Corporation. On November 6, 1995, the SEC approved the amendment to the Company's Articles of Incorporation to change its name from Cobertson Holdings Corporation to its present name, MacroAsia Corporation.

In June 1996, the Parent Company incorporated two of its 100% wholly-owned subsidiaries namely: MacroAsia Properties Development Corporation (MAPDC), which operates the only special economic zone at the Ninoy Aquino International Airport (NAIA); and MacroAsia Air Taxi Services, Inc. (MAATS), which provides helicopter chartering services. The Company started its first in-flight catering business in August of 1996 through its associate - Cebu Pacific Catering Services, Inc. (CPCS), the only full-service airline catering company in Mactan-Cebu International Airport (MCIA) today. By November 1996, the Company incorporated its second in-flight catering venture, MacroAsia Catering Services, Inc. (MACS), which is the dominant caterer of foreign airlines in NAIA since it operated in 1998. Another subsidiary, MacroAsia Airport Services Corporation (MASCORP) was incorporated in 1997 to service the ground handling requirements of commercial passenger, cargo and military aircrafts.

Lufthansa Technik Philippines, Inc. ("LTP"), a Joint Venture corporation between MacroAsia Corporation and Lufthanksa Technik AG, was incorporated in December 1999, to do aircraft maintenance, repair and overhaul (MRO) in NAIA. With its facilities, LTP is a globally competitive company offering aircraft and engine maintenance, repair, and overhaul in the Philippines, with airline clients from almost all parts of the world.

MacroAsia Mining Corporation (MMC), another wholly owned subsidiary, was incorporated on September 25, 2000 to be an institutional vehicle through and under which the business of a mining enterprise may be explored, established, operated and maintained.

The Group has mining assets, derived principally from Mineral Production Sharing Agreements (MPSAs) as a legacy from its history as a mine operator in the 1970's. It also has Exploration Permit Applications.

In 2016, MAC started to engage in the water business in different locations outside Manila through its subsidiary, MAPDC. SNV Resources Development Corporation (SNVRDC) was established to complete waterworks system in Solano, Nueva Vizcaya, started operations in March 2016. In December 2016, MADPC acquired 67% of Boracay Tubi System, Inc. (BTSI), one of two current water concessionaires in Boracay Island. In August 2017, MAPDC acquired 100% of Naic Water Supply Corporation (NAWASCOR), a water utility company in Naic, Cavite.

MAC established a new business segment to support the growing demand for pilots through First Aviation Academy, Inc. (FAA). This company was incorporated in December 2017 to establish a training and skills assessment center for aviation professionals. Inauguration of FAA was held in February 2019 and started its first class in May 2019.

In October 2018, a subsidiary of MAC, Airport Specialists' Services Corporation (ASSC)[1], acquired 60% of Summa Water Resources, Inc. (Summa) which operates in Bulacan and Albay. Summa's 40%

owned subsidiary, Citicore Summa Water Corporation operates in Iloilo. Also, in July 2019, AlliedKonsult Eco-Solutions Corporation (AlliedKonsult), 51% owned by ASSC was incorporated to engage in construction of sewage and septage treatment plants and facilities including related collections, treatment and disposal services. In addition, in September 2019, Cavite AlliedKonsult Services Corporation, 100% owned by AlliedKonsult was incorporated to engage in construction of sewage and septage treatment plants and facilities including related collections, treatment and disposal services.

On March 16, 2019, MacroAsia Group took over Philippine Airlines' ground handling (through MASCORP) and catering requirements (through MacroAsia SATS Inflight Services Corporation (MSIS). Also, in March 2019, MacroAsia SATS Food Industries Corporation (MSFI) started producing meals for institutional clients.

On November 5, 2019, MAC set its first footprint outside the Philippines through a partnership with Konoike Transport Co., Ltd. (Konoike). MAC acquired a 30% stake in Japan Airport Service Co. Ltd. (JASCO), while Konoike acquired a 20% stake in MASCORP. This expanded the ground handling business of MacroAsia Group.

MAC will continue to operate mainly through its seven (7) subsidiaries and three (3) affiliates, as fully discussed below:

***MacroAsia Catering Services, Inc.***

MacroAsia Catering Services, Inc. (MACS) was incorporated on November 5, 1996, then with a corporate name of MacroAsia-Eurest Catering Services, Inc. (MECS), to primarily provide in-flight catering services in NAIA. When MACS started commercial operations on September 1, 1998, it was a joint venture between MacroAsia Corporation (67%) and two foreign partners: SATS Ltd. (then known as Singapore Airport Terminal Services at 20%) and Compass Group International B.V. (then known as Eurest International B.V., at 13%). By mutual agreement of the three JV partners, a sale and purchase agreement with Compass Group International B.V. was executed on June 28, 2006 whereby MAC acquired the 13% shareholdings of the Compass Group. Since then, MACS continued to operate as a joint venture between MAC (80%) and SATS (20%). In the same year, the Board of Directors of MACS decided to change its company name to MacroAsia Catering Services Inc. On September 14, 2015, MAC signed a deed of absolute sale covering the assignment and transfer of 13% of its stakeholdings to SATS Ltd., thus changing the ownership structure in MACS to 67% MAC and 33% SATS.

MACS' in-flight kitchen facility is situated in a two-hectare lot being leased from the Manila International Airport Authority (MIAA). MACS' inflight operations is under a concession agreement with MIAA that grants the right to operate an in-flight catering service for civil and/or military aircraft operating at the NAIA and/or the Manila Domestic Airport. MACS secures such right by remitting the monthly Concessionaire's Privilege Fee (CPF) which is 7% of its gross income.

MACS consistently complies with both local and international hygiene standards and environmental regulations. Its distinction lies in being the only in-flight airline caterer in the Philippines that holds an ISO certification (certified by Certification International of UK) on top of its HACCP and HALAL certificates conferred by independent and professional certifying organizations. To ensure that high standards are followed at all times, MACS maintains an in-house laboratory manned by microbiologists who are capable of performing advanced testing.

Capturing 67% of the in-flight catering market based on flight movement, MACS is the catering service provider to 17 full-service foreign carriers, freighters, VIP flights and General Aviation clients

and 4 major airport lounges operating at the NAIA. MACS also has contracted with an airline to provide top-up meals and ground feeding in case of flight delays. In May 2017, MACS started catering to the crew meal requirements of a foreign airline.

MACS also provides food services management and meals to a number of non-airline institutional clients outside NAIA. This business has grown in line with the expansion plans of MACS to go beyond its airline catering portfolio. Because of the significant growth of this business, MACS incorporated MacroAsia SATS Food Industries Corporation (MSFI) on July 14, 2015 as a 100%-owned subsidiary to operate a new food commissary near the East Service Road, Muntinlupa City. MSFI services the food production requirements of institutional clients and supports the inflight kitchen inside NAIA. This commissary has a capacity of 25,000 meals per day with current utilization rate of 11% or 2,800 meals per day. MSFI also caters to the food requirements of Cebu Pacific Airlines. The property for this commissary is leased from MacroAsia Properties Development Corporation and has been operational since March 26, 2019.

As part of the company's expansion, MACS incorporated MacroAsia SATS Inflight Services Corporation (MSIS) on May 16, 2016 (a 100%-owned subsidiary) which started to operate the inflight catering kitchen at the PAL Inflight Center, PAL Gate 3, Baltao St. corner MIA Road, Pasay City last March 16, 2019. The subsidiary currently provides inflight catering services for an average of 21,000 meals per day to Philippine Airlines (PAL).

MACS is the recipient of several awards and commendations for outstanding service, besting other service providers from all over the world. Last September 2019, EVA Air presented the 2018 Excellence in Catering Award – South East Asia to MACS, this is the second consecutive year that MACS ranked no.1 among 7 stations in SEA region. In 2018, MACS ranked 4th in Qatar Airways' network-wide catering service provider evaluation program. MACS also received the ADB SPC Excellence Award in December 2018. In 2017, MACS was recognized by Qantas Airways for its "On-time Performance, Safety and Service Delivery" and also by Japan Airlines for being part of the "2016 Best Airport Performance Award" received by the Manila Station. In March 2017, Singapore Airlines awarded MACS the SQ Merit Award for catering excellence for fiscal year 2015-2016, a consistent feat for several years now. In 2015, MACS received the Gold Award given by Cathay Pacific on its recently concluded Caterers' Performance Recognition Program (CPRP) for 2014. This was the 3rd award received in 3 consecutive years. In 2013 MACS was given the Gold Award surpassing 46 caterers among the Cathay Pacific network, worldwide and in 2012, MACS bagged the Diamond Award, the highest recognition in Cathay Pacific's CPRP, indicating that MACS is the best among 40 catering stations in the Cathay Pacific network, worldwide. MACS also was recognized by All Nippon Airways (ANA), as the "Gold Award winner for The Best Short Haul Caterer 2013", besting 13 other caterers in ANA's short-haul network two years in a row.

MACS has a wide supplier's base, both local and international and it is not dependent on any single raw material supplier. MACS operates a bonded warehouse facility inside NAIA under a Bonded Warehouse License and monitored by a Bureau of Customs representative. Based on its quality standards, regular supplier quality audits (SQA) are conducted by MACS' Quality and Food Safety Department Officers together with Purchasing and Production Department representatives at the supplier's premises to inspect and verify the compliance to its manufacturing and supply standards.

In 2019, 2018, and 2017, MACS' sales contributions to MAC's consolidated gross operating revenues were 29%, 46% and 52%, respectively. MACS' airline clients include Air Niugini (PX), All Nippon Airways (NH), Cathay Pacific (CX), China Airlines (CI), China Southern (CZ), China Eastern (MU), Emirates (EK), Etihad Airways (EY), Eva Air (BR), Japan Airlines (JL), Korean Air (KE), Qantas Airways (QF), Qatar Airways (QR), Royal Brunei (BI), Saudia Airlines (SV), Singapore Airlines (SQ) and Xiamen Airlines (MF). MACS is also the preferred caterer for VIP flights from NAIA. MACS delivered a total of

6.2 million meals in 2019, at an average production of about 17,000 meals a day. It services an average of 42 international flights a day, serving more than half of the foreign airlines that fly out of Manila.

As of December 31, 2019, MACS and its subsidiaries, MSFI and MSIS, have core manpower complement of 824 individuals (373 workers or 83% higher than 2018), excluding the 915 staffs contracted from external providers (87% or 426 employees higher than 2018). Of the total manpower count, 530 are regular employees.

MACS is not aware of any existing or probable government regulations that would have an adverse impact on its on-going operations. It has no research and development activities/costs during the last three fiscal years.

***MacroAsia Airport Services Corporation***

MacroAsia Airport Services Corporation (MASCORP) was incorporated on September 12, 1997 to provide, manage, promote and/or service any and all ground handling requirements of military and/or commercial aircraft for passengers and cargo. MASCORP commenced its ground handling operations on April 19, 1999 at the NAIA, and has been generating both domestic and export sales. As of December 31, 2019, its work force consisted of 4,306 organic staff and 2,922 out-sourced staff, 99% higher compared to same period in 2018.

MASCORP was originally incorporated in 1999 pursuant to a joint venture agreement with Ogden Aviation Philippines B.V. to expand its international resource. Ogden Aviation Philippines B.V. was subsequently acquired by Menzies Aviation Group in 2001. By April 12, 2007, MAC acquired the 30% share of Menzies making MASCORP a wholly-owned subsidiary of MAC.

On November 29, 2019, a 20% stake of MAC's shareholdings in MASCORP was acquired by Konoike Transport Co. Ltd (Konoike) of Japan. This is in line with the agreed mutual beneficial partnership of the two (2) listed companies, MAC and Konoike, which took place on November 5, 2019. In exchange of the 20% stake of MASCORP, MAC acquired 30% stake in Japan Airport Service Co. Ltd. (JASCO) through NKS Holding Co. Ltd., the Tokyo-based subsidiary of Konoike and Parent Company to JASCO. With this expansion in Japan, MASCORP will be able to generate additional revenues for processing and sending technical intern trainees to Japan and at the same time benefit from the management exchange program where the best practices in both countries can be adopted.

Through its marketing efforts, coupled with the capability to offer a total aviation services product (in synergy with the catering and MRO business of MAC), and price competitiveness, MASCORP entered into new ventures in 2015. It started providing cargo services for PAL Express in Manila, apron cleaning of Lufthansa Technik Philippines' (LTP) and Philippine Airlines' (PAL) Terminal 2 ramp parking areas and ground support maintenance services for LTP in Manila, Cebu and Davao.

Aside from its current ground handling services for local and foreign clients in Manila at NAIA Terminals 1, 2, & 3, MASCORP also operates in Cebu, Kalibo, Davao, General Santos, Clark and Tuguegarao. In March 2017, it started its ground handling in Laoag, Basco, Puerto Princesa, Busuanga, Legazpi, Naga, Iloilo, Roxas, Bacolod, Tacloban, Dipolog, Cagayan De Oro, Zamboanga, Cotabato, Butuan and Surigao. MASCORP also started handling Masbate, Camiguin, Siargao and Virac starting December 2017, for all Philippine Airlines (PAL) and PAL Express (PALex) flights in the said stations. In the last quarter of 2018, it started servicing PALex flights in San Vicente, Cauayan and San Jose.

In May 2018, MASCORP also took over its new foreign clients outstations. In Cebu, MASCORP started servicing Jeju Air on May 1, 2018, Jin Air on May 21, 2018, Vanilla Air on May 22, 2018 until October 2018 and Silk Air on May 25, 2018 simultaneously in Davao station. In the last quarter of 2018, MASCORP started handling Philippine Airlines' International Flights on 01 October 2018 in Cebu - Terminal 2, Air Seoul on November 27, 2018 in Kalibo, Tiger Air Taiwan on December 1, 2018 in Cebu and Jeju Air on December 22, 2018 in Clark Station. MASCORP also took over the Antique station on December 16, 2018.

Starting 23 February 2019, MASCORP took over the Passenger Services Department of PAL Express in NAIA Terminal 3 . Shortly thereafter, on March 16, 2019, MASCORP took over the ground handling for Philippine Airlines' 1st and 2nd shift in NAIA – Terminal 2, Philippine Airlines' International Cargo Terminal in Manila and Philippine Airlines' domestic operations in Cebu – Terminal 1. On March 31, 2019 MASCORP started handling Jin Air in Kalibo station. On June 18, 2019 MASCORP's latest client, Qatar Airways, inaugurated its Davao Station. Towards the end of 2019, MASCORP started its ground handling services in Tawi-Tawi.

MASCORP contributed 46%, 41% and 35% of the Group's total operating revenues for the year ended December 31, 2019, 2018 and 2017, respectively.

MASCORP's operations are dependent upon its concession agreements with Manila International Airport Authority (MIAA) for the Manila station (Terminal 1, 2 & 3), GMR Megawide Cebu Airport Corporation (GMCAC) for the Cebu station, the Civil Aviation Authority of the Philippines (CAAP) for stations in Kalibo, Davao, General Santos, and Clark International Airport Corporation (CIAC) for the Clark Station. MASCORP's concessions agreements for new stations are currently being processed with CAAP.

MASCORP secures its concessions by regularly paying the monthly Concession Privilege Fee (CPF) which is computed at 7% for MIAA (Manila Station) and CAAP (Davao Station), 7% and 10% for domestic and international flights, respectively for GMCAC (Cebu Station), and 4.9% for LIPAD (Clark Station), of the monthly gross revenues on both domestic and international services.

MASCORP is not aware of any existing or probable government regulations that would have an adverse effect on its business. Given the nature of its business, it has no research and development activities during the last three fiscal years.

***MacroAsia Air Taxi Services, Inc.***

MacroAsia Air Taxi Services, Inc. (MAATS) is a wholly-owned subsidiary of MAC which was incorporated in June of 1996. MAATS is a licensed, non-scheduled domestic flight operator providing helicopter chartering services from its base at the General Aviation Area, Manila Domestic Airport to any point within the Philippines. The Company has five regular employees as of December 31, 2019.

MAATS started commercial operations in October 1996 utilizing its Ecureuil AS350-B2, a 5-passenger rotary aircraft for its flight operations. In August 22, 2016, MAATS suffered the unfortunate incident of losing its helicopter and crew in one flight mission hampered by unforeseen weather conditions. This tragic event halted MAATS' charter operations temporarily, and kept the revenue source as solely coming from FBO ground handling services.

Since January 2013, MAATS has added to its service portfolio the provision of services for Fixed-Based Operations (FBO), mainly to support the MRO (maintenance, repair, overhaul) clients of Lufthansa Technik Philippines. FBO work entails the provision of airport solutions or logistical support, facilitating and securing all the necessary permits for a smooth and trouble-free entry and

exit of MRO flights. The airport solutions provided by MAATS enhances the marketing of LTP-Manila as an attractive MRO station for foreign airlines.

Today, MAATS has continued to focus on FBO services, rather than helicopter chartering.

There are no existing or probable government regulations that may have an adverse effect on MAATS operations. MAATS did not incur any research and development expenditures during the last three fiscal years.

***MacroAsia Properties Development Corporation***

MacroAsia Properties Development Corporation (MAPDC), another wholly-owned subsidiary, was incorporated on June 4, 1996 to primarily engage in the acquisition, development and sale of real properties. After it completed its first infrastructure project in 1997 and following the Asian economic crisis, the company suspended pursuing further property development projects as a core business and refocused its efforts on aviation-support activities.

On August 31, 2000, MAPDC was registered as an Economic Zone (Ecozone) Developer/Operator with the PEZA. As such, it enjoys tax incentives. It re-started commercial operations on the same date, this time as the ecozone developer/operator of the 23-hectare MacroAsia Special Ecozone at the NAIA, with LTP as its anchor locator for the next 25 years. LTP is an associated company of MAPDC as LTP is 49% owned by MAC.

MAPDC has a 25-year lease covering the 23-hectare property occupied by the Ecozone with the Manila International Airport Authority (MIAA). Today, the MacroAsia Special Ecozone is the only operational ecozone at the NAIA.

The MacroAsia Special Ecozone is presently managed by a lean team of core employees. The support services needed to maintain the ecozone are provided by contracted local service providers. Early in 2014, MAPDC acquired a 3-storey building near the East Service Road close to the Sucat Toll area in Muntinlupa City, which was developed and leased out as the commissary for food services to non-airline clients.

In 2015, MAPDC has entered into 2 long term lease agreements with Mactan Cebu International Airport Authority for a total of 4.3 hectares inside the airport. Also in 2015, LTP assigned its leased area inside the Mactan Cebu International Airport to MAPDC, comprising 2.7-hectares of developed land proximate to MAPDC's new leased areas in the airport. On October 2, 2018, 5 hectares of these leased areas was approved and designated as a special ecozone for aviation-related services, to be known as MacroAsia Cebu Special Ecozone.

MAPDC is the subsidiary that serves as a vehicle for the entry of the Group into the water services business (bulk water supply or commercial retail of treated surface water in selected localities). Starting 2012, MAPDC has projects in provinces outside of Metro Manila. One project entails the treatment of surface water from the Magat River in Cagayan Valley, and the piped distribution of the treated water to the homes of residents in the town of Solano, Nueva Vizcaya. To implement this project, MAPDC formed a 100%-owned subsidiary, SNV Resources Development Corp. (SNVRDC) to be the water treatment facility operator and distributor of treated water in the said municipality. Commercial operations started during the first quarter of 2016. In December 2, 2016, MAPDC acquired 67% of Boracay Tubi System, Inc. (BTSI), one of the two water service providers in Boracay Island, Aklan. In August 2017, MAPDC acquired 100% of Naic Water Supply Corporation (NAWASCOR), a water utility company in Naic, Cavite. In 2017, MAPDC started site development activities for the Maragondon, Cavite Bulk Water Project.

As of December 31, 2019, MAPDC has a workforce of 44 employees out of which, 29 are regular employees.

For the past three years, MAPDC contributed minimal administrative revenues, while the water companies under MAPDC contributed 5% to the Group's consolidated gross operating revenues.

MAPDC is subject to PEZA rules and regulations and is not aware of any other existing or probable government regulations that may have any adverse effects on its business. MAPDC does not have any other significant agreements or patents, copyrights, licenses, franchises, concessions, or royalty agreement. It did not incur any research and development costs during the last three fiscal years.

***First Aviation Academy***

First Aviation Academy Inc. (FAA) was incorporated on December 5, 2017 to address the foreseen shortage of aviation professionals for airline clients not only in the Philippines but also in other countries. FAA is a joint venture flight school between MAC (51%) and PTC Holdings Corporation (49%) and was established as an integrated aviation career and resource development company.

The training facility is based in Subic Bay International Airport and was inaugurated in March 2019. Initially, it will pursue ab initio pilot training, certification and career development courses in the field of aviation. Through its intensive 12-month training program, graduates from the academy will have completed a Private Pilot License (PPL), Instrument Rating (IR), Multi-Engine Rating (MER) and a Commercial Pilot License (CPL). Top graduates will also have a chance to become a Flight Instructor, providing a unique way to build up their flying hours, while honing their instructor skills. Two main features that set FAA apart from other aviation schools in the country are its fleet of brand-new TECNAM planes with full glass cockpit electronic instrumentation and the Redbird MCX and TD2 G-1000 simulators. Such a training platform will enable students to develop the skill sets necessary to excel in the international aviation space.

FAA takes pride in being at the forefront of professional development for the airline industry, propelled by a comprehensive curriculum, experienced instructors and state-of-the-art equipment and facilities to produce airline-ready aviation professionals primed for flight operations.

In 2019, FAA started its year with three batches of classes with a total of 33 student which lead the aviation school to contribute to the Group's total operating revenues of about 1%.

As of December 31, 2019, FAA has a workforce of 20 employees out of which, 15 are regular employees.

There are no existing or probable government regulations that may have an adverse effect on FAA operations. FAA did not incur any research and development expenditures during its first year of operations.

***Airport Specialists' Services Corporation***

On July 2, 1999, Airport Specialists' Services Corporation (ASSC), , was incorporated as a wholly-owned subsidiary of MASCORP to manage and to promote, service and/or provide manpower support for any and/or all ground handling requirements of private, military and/or commercial aircraft. ASSC commenced operations immediately after its incorporation but had ceased operations shortly thereafter. Towards the end of 2006, MAC acquired MASCORP's 100% ownership in ASSC. Consequently, ASSC became a direct subsidiary of MAC.

Currently, ASSC is the parent company for the other two water entities of MAC Group namely, Summa Water Resources, Inc. (Summa) and Allied Konsult Eco-Solutions Corporation (Allied Konsult). Allied Konsult is still non-operational as of December 31, 2019.

On October 1, 2018, ASSC, purchased 60% shares of stock held by the former individual shareholders of Summa. The company has supplied water treatment equipment and bulk water to private and government entities in several locations in the Philippines – Balesin, Mactan, Iloilo, Albay, Bulacan, and Cavite to name a few. In September 2018, Summa and Citicore Power Inc. formed a joint venture company named Citicore Summa Water Corporation (CS Water) of which the former holds 40% ownership. The joint venture was established to develop raw water sources and supply treated bulk water for its customers. In June 2019, CS Water signed a Joint Venture Agreement for the financing, development, rehabilitation, expansion, improvement, operation and maintenance of the water supply and septage management of Janiuay Water District. In the same month, CS Water signed a Bulk Water Supply Contract with The City of Lapu-Lapu in Cebu for a 60 MLD Desalination Plant, the first large-scale desalination plant in the Philippines.

As of December 31, 2019, Summa, the operating entity under ASSC, has a workforce of 47 employees out of which, 40 are regular employees.

There are no existing or probable government regulations that may have an adverse effect on ASSC operations. ASSC did not incur any research and development expenditures during its first year of operations.

***MacroAsia Mining Corporation***

MacroAsia Mining Corporation (MMC), another wholly owned subsidiary of MAC, was incorporated on September 25, 2000 to serve as an institutional vehicle through and under which the business of a mining enterprise may be established, operated and maintained. The Company has eight regular employees and two probationary employees as of December 31, 2019.

MMC is now focused on providing consultancy and mining exploration services, particularly on nickel areas and projects. In 2017, MMC has an exploration and drilling contract for a project in the Dinagat Islands. The contract was intended for three months and was extended for another five months, thus, more than doubling the extent and value of the initial contract.

On November 15, 2018, MMC purchased Bulawan Mining Corporation from Philippine National Bank which amounted to ₱7.5 million. Bulawan Mining Corporation (BUMICO), a subsidiary of the Philippine National Bank (PNB), transferred its right for their Exploration Permit Application (EXPA 103-VII) over a 506-hectare area in Basay, Negros to MAC through the signing of a Deed of Assignment (DOA) on August 15, 2012. The DOA has been approved by Mines and Geosciences Bureau (MGB) Region VII Office on January 28, 2013. The area has a high potential for copper-gold molybdenum–silver mineralization. Several copper and gold mining companies have shown interest in the area. BUMICO also transferred its interests in the Bulawan Mining Project with an Operating Agreement with Philex Mining Corporation (PMC) to MAC through a Deed of Assignment (DOA) signed on September 6, 2012. The DOA was finalized after securing the written consent of Philex.

In Northern Leyte, two exploration permit applications are being maintained by MacroAsia Mining Corporation and both are adjacent to the geothermal reservation of Tongonan: the Carigara property denominated as EXPA 0091-VIII-2007 covers 7,771.8 hectares which is situated immediately north of the Tongonan Geothermal Field and the Baybay property is at the southern extreme of the geothermal reservation denominated as EXPA 0092-VIII-2007 and covers an area of 7,488.5 hectares.

MMC's present operations do not require the intensive use of raw materials. Therefore, it does not have any major existing supply contracts.

MMC is not aware of any other existing or probable government regulations that may have any adverse effects on its business. MMC does not have any other significant agreements or patents, copyrights, licenses, franchises, concessions, or royalty agreement. It did not incur any research and development costs during the last three fiscal years.

***Lufthansa Technik Philippines, Inc. – A Joint Venture with MacroAsia Corporation***

Lufthansa Technik Philippines, Inc. (LTP) is a joint venture between MAC (49%) and Lufthansa Technik AG of Germany (51%). It provides a wide range of aircraft maintenance, repairs and overhaul (MRO) services at the NAIA, DMIA, MCIA, Kalibo International Airport, Puerto Princesa Airport, and Davao International Airport.

Following the signing of the joint venture agreement on July 12, 2000, and its subsequent registration with the Philippine Economic Zone Authority (PEZA) as an economic zone locator on August 30, 2000, LTP started its commercial operations on September 01, 2000. Since then, it has been recognized as an outstanding company that has consistently generated export revenues for the country.

As an ecozone locator, LTP has a 25-year lease contract with MacroAsia Properties Development Corporation (MAPDC). It has technical services agreements with PAL as a base client, as well as with other airlines, including Lufthansa Technik AG of Germany.

LTP also has a concession agreement with MIAA upon which its business operations is highly dependent. The agreement grants LTP the right to operate as a provider of aircraft MRO services at NAIA Terminals 1, 2 and 3. LTP secures such right by yearly renewal of the agreement and paying the monthly CPF (7% of gross revenue).

On February 10, 2012, LTP opened its third aircraft hangar to accommodate maintenance works for the Airbus A380, the world's biggest and most technologically advanced commercial aircraft today.

In 2015, LTP completed its project to expand its existing two hangar bays, thus increasing its service capability for A380 heavy maintenance check, also enabling LTP to enter base maintenance for the B777. The hangar expansion was inaugurated in December 2015 and LTP had the first heavy check in its second A380 hangar in January 2016. In 2016, LTP welcomed its first Asian A380 customer, the South Korean carrier flew to Manila in April and May for C1-checks on two A380s.

Furthermore, the B777 base maintenance capability build-up was completed in the later part of 2016, and having Philippine Airlines' B777 as its first customer in the first quarter of 2017.

LTP continued and further strengthened partnership with Philippine Airlines (PAL) as its main client for aircraft maintenance, repair and overhaul services not only in LTP's Manila facility but also in Line Stations in Clark, Cebu, Puerto Princesa, Kalibo and Davao. Other global clients for Aircraft Base Maintenance include Lufthansa, AirAsia X, Asiana Airlines, British Airways, Korean Air, Jetstar Japan, Saudia Airlines, and Virgin Atlantic to name a few.

Through the improvement of products and services for Aircraft Line Maintenance, customers have renewed their trust and confidence with LTP namely, Air Busan, Air China, ANA China Airlines, EVA Air, Jin Air, Jeju Air, Asiana Airlines, Korean Air, KLM, Qantas Airways and Japan Airlines. These are in addition to several long term contracts with other airlines that LTP won in the previous years.

Aviation Authorities who have airworthiness oversight on LTP's airline customers issue Approvals/Certifications to LTP for it to be able to provide MRO services to these airlines. LTP is approved/certificated by 19 Aviation Authorities worldwide as a provider of aircraft MRO services, including the Civil Aviation Authority of the Philippines (CAAP), the United States' Federal Aviation Administration (FAA), European Aviation Safety Agency (EASA), Korea MOLIT, Japan Civil Aviation Bureau (JCAB), and Kingdom of Saudi Arabia GACA, among others. LTP is also an official Design Department of Lufthansa Technik AG EASA Part 21 Design Organization, enabling it to create in-house minor repairs/changes to aircraft. The extent of LTP's work/services largely depend on these Approvals/Certifications, which require/specify that LTP's services must be carried out in accordance with the relevant aviation regulations. These Approvals/Certifications are renewed either annually or every two years.

LTP's total manpower count and regular employees increased by 8% and 6%, respectively, from the prior year. They had a labor force of 3,423 as of December 31, 2019. Of the total manpower count, 3,306 are regular employees.

LTP is not aware of any existing or probable government regulations that would have an adverse impact on its on-going operations. It has no research and development activities/costs during the last three fiscal years.

***Cebu Pacific Catering Services, Inc.***

Cebu Pacific Catering Services, Inc. (CPCS) is MacroAsia's first in-flight catering venture which started commercial operations in October of 1996. MAC has 40% equity in this joint venture, while its partners - Cathay Pacific Catering Services of Hongkong and MGO Pacific Resources Corporation hold 40% and 20% equity, respectively.

CPCS is the first and presently still the only full-service airline catering company at the MCIA. CPCS is also an economic zone locator covering 3,050 sqm in Mactan, Cebu and services both domestic and international airlines.

CPCS owns a two-storey kitchen facility designed to fully meet projected total airline catering demands and to easily accommodate future expansion. The facility was designed and developed by Cathay Pacific Catering Services (HK). With its current portfolio of clients, the facility still has excess capacity to serve the requirements of Mactan Cebu International Airport in the years to come.

CPCS is presently serving an average of 2,800 meals a day, using mostly local raw materials for its menus. It procures its raw materials from the local market and does not have any major raw materials supply contracts. CPCS services Philippine Airlines, Korean Air and Asiana Airlines, Cathay Pacific as well as Cebu Pacific Airlines.

CPCS's personnel count decreased by 1%, to about 145 employees as of December 31, 2019, compared to the staff count in 2018. Of the total manpower count, 61 are regular employees.

As the only full-service airline catering company in Cebu, CPCS expects to provide most if not all of the catering services for future flights from MCIA to other regional destinations.

CPCS contributed an average of 3% MAC equity in the net income of associates out of the total consolidated net income.

As a registered entity, CPCS is subject to the rules and regulations of the Philippine Economic Zone Authority (PEZA). It is not aware of any existing or probable government regulations that would have an adverse effect on its operations.

CPCS does not have any other significant agreements or patents, copyrights, licenses, franchises, concessions, or royalty agreements.

No research and development costs have been incurred by CPCS during the last three fiscal years.

***Japan Airport Service Co., Ltd.***

Japan Airport Service Co., Ltd. ("JASCO") was founded on March 25, 1960 as an integrated ground handling company which provides safe flight operation in addition to value-added quality services accompanied by on-time performance to 29 carriers operating out of Narita International Airport in Japan.

In 2017, JASCO joined the KONOIKE Group, which is a global enterprise listed in the First Section of the Tokyo Stock Exchange and has immediately become one of the strengths of KONOIKE Group's Airport Division.

Pursuant to the terms of the MAC and KONOIKE Group partnership which took place on November 5, 2019, MAC purchased 30% of JASCO through NKS Holding Co. Ltd., the 100% Tokyo-based subsidiary of Konoike Transport Co. Ltd on December 6, 2019.

JASCO currently has six (6) major functions including Flight Operation Management, Baggage Handling & Special Passenger Assistance Services, Cabin Cleaning, Loading/Unloading & Aircraft Movement, Cargo & Mail Handling and self-support GSE Maintenance. Moreover, it is still organically growing its capacity and capability to the other fields of ground handling.

To fulfill the commitment for safe flight operation with high-quality services, JASCO tailors all SOPs based on the operational requirements of respective customer carriers and exercise Point-and-Assured at each & every critical point of the process to ensure full compliance. Such exercise has earned JASCO a fame of service excellence with quite a few awards from its customer carriers.

In the first half of 2019, there were shrinkage in air cargo volume and cancelation of regular flights operated by contract airlines. Nevertheless, JASCO started new contracts with four (4) Chinese airlines, and started a flexible contract form that does not concentrate on a single carrier in the second half of 2019.

The number of airlines that JASCO has partnered withhas increased to 28 in 2019.

With respect to profitability, JASCO aims to secure target operation profit, which focuses on cost management, such as accelerating inter-section operator's allocation to maximize efficiency. On the other hand, work volume has been increasing due to new contracts from Chinese airlines.

The United Airline Narita Airport Branch received a Platinum Award for station safety assessment systems around the world. JASCO was awarded for making significant contributions to this award.

JASCO is not aware of any existing or probable government regulations that would have an adverse effect on its operations. JASCO does not have any other significant agreements or patents, copyrights, licenses, franchises, concessions, or royalty agreements. No research and development costs have been incurred by JASCO since it became an affiliate of MAC.

# ANNEX C – MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

In 2019, MAC carried on its operations through its seven subsidiaries namely: MacroAsia Catering Services, Inc. (MACS); MacroAsia Airport Services Corporation (MASCORP); MacroAsia Air Taxi Services, Inc. (MAATS); MacroAsia Properties Development Corporation (MAPDC); First Aviation Academy, Inc. (FAA), Airport Specialists' Services Corporation (ASSC), MacroAsia Mining Corporation (MMC) and through its three associated companies, Lufthansa Technik Philippines, Inc. – A Joint Venture with MacroAsia Corporation (LTP), Cebu Pacific Catering Services, Inc (CPCS) and Japan Airport Service Co., Ltd. (JASCO). The companies were discussed comprehensively under Item 1. Description of the Business.

The two most important factors that affect the revenue levels of the aviation-services subsidiaries are passenger loads and flight frequencies of airlines.

The Group is not aware of any known trends or any known demands, commitments, events or uncertainties that will have material impact on its liquidity.

The Group is not aware of having or anticipating any cash flow or liquidity problems within the next twelve (12) months. The Group generally sources its liquidity requirements through its increased revenues and collections. These are invested in placements with better yields.

The Group is not aware of any events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

The Group is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Parent Company with unconsolidated entities or other persons created during the reporting period.

There are no material commitments for capital expenditures created during the reporting period.

The Group is not aware of any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

There have been no significant elements of income or loss that did not arise from the Group's continuing normal operations.

The Group is not aware of any current and future event that will cause a material change in the relationship, vertical and horizontal analyses, of any material item from period to period.

The Group is not aware of any seasonal aspects that have material effect on the financial statements.

***Key Performance Indicators***

The Group uses the following major performance measures. The analyses are based on comparisons and measurement on financial data of the current period against the same period of the previous year.

**Return on Net Sales (RNS)**

This ratio measures the amount of income, after all costs and expenses, including taxes are deducted, for every peso of net revenue earned.

| *(In Thousands except for Ratios)* | | | 2019 | 2018 |
|---|---|---|---|---|
| Return on Net Sales | = Total Net Income / Total Net Revenues | = | ₱1,194,026 / 6,167,831 | ₱1,086,100 / 3,426,619 |
| | | = | 19.36% | 31.70% |

Net revenues pertain to the revenues of the subsidiaries of the Group while the net income includes our share in the profits of our associates, LTP, CPCS and JASCO. The decrease in consolidated RNS in 2019 is caused by the increases in direct and overhead cost for start-up companies and significant increase in business volume of our catering and ground handling subsidiaries. With this significant growth, management will remain focused on operational efficiency through cost management.

**Return on Investment (ROI)**

This ratio measures the amount of income earned on invested capital.

| *(In Thousands except for Ratios)* | | | 2019 | 2018 |
|---|---|---|---|---|
| Return on Investment | = NI attributable to Equity holder of Parent / Total Interest-bearing Liabilities + Equity attributable to Equity holder of Parent | | ₱ 1,129,066 / 8,266,090 | ₱ 1,051,242 / 6,337,270 |
| | | = | 13.66% | 16.59% |

The decrease in ROI is caused by the significant increase in a component of equity which is a non-recurring item. The Group also entered into a number of loan contracts for a facility construction and equipment acquisition purposes. The Group still manage to provide a good return on invested capital.

**Return on Equity (ROE)**

This KPI is a measure of the owner's return for every peso of invested equity.

| *(In Thousands except for Ratios)* | | | 2019 | 2018 |
|---|---|---|---|---|
| Return on Equity | = Net Income / Total Capital | = | ₱1,194,026 / 5,554,032 | ₱1,086,100 / 4,993,848 |
| | | = | 21.50% | 21.75% |

The Group has maintained its return on equity ratio at satisfactory level, as management strives to effectively manage the Group's asset in creating profits.

**Direct Cost and Expense Ratio**

This ratio measures the average rate of direct costs and expense on products/services sold.

| *(In Thousands except for Ratios)* | | | 2019 | 2018 |
|---|---|---|---|---|
| Direct Cost Ratio | = Total Direct Cost / Total Net Revenues | = | ₱4,815,859 / 6,167,831 | ₱2,599,386 / 3,426,619 |
| | | = | 78.08% | 75.86% |

| *(In Thousands except for Ratios)* | | | 2019 | 2018 |
|---|---|---|---|---|
| Operating Expense Ratio | = Total Operating Expenses / Total Net Revenues | = | ₱1,038,521 / 6,167,831 | ₱710,712 / 3,426,619 |
| | | = | 16.84% | 20.74% |

The Group's direct cost ratio increased due to the increase in manpower and preparatory costs used to complement with the volume growth in in-flight and other catering, and ground handling and aviation services.

The total operating expenses of the group as compared to the previous year have decreased despite the significant growth in business showing efficiency in utilization of Group's resources in producing revenues.

**Current Ratio**

This ratio measures the Group's ability to settle its current obligations.

| *(In Thousands except for Ratios)* | | | 2019 | 2018 |
|---|---|---|---|---|
| Current Ratio | = Total Current Assets / Total Current Liabilities | = | ₱3,599,853 / 2,883,071 | ₱1,853,266 / 1,354,266 |
| | | = | 1.25 | 1.37 |

The Group still has a healthy current ratio indicating the Group's solid ability to meet its current liabilities, with a large portion (34%) of current assets being held as cash and cash equivalents.

**Debt-to-Equity Ratio**

This ratio indicates relationship of the Group's debt to the equity of the owners.

| *(In Thousands except for Ratios)* | | | 2019 | 2018 |
|---|---|---|---|---|
| Debt-to-Equity Ratio | = Total Interest-bearing Debts / Total Equity | = | ₱1,841,936 / 6,837,843 | ₱1,101,976 / 5,598,614 |
| | | = | 26.94% | 19.68% |

The upward movement in debt-to-equity ratio is due to the new loans obtained by the Group which remained outstanding as at year-end. The Group still manage its reliance on debt financing to be at a minimum showing its ability to fund growth through internally generated fund.

**Interest Coverage Ratio**

This ratio measures the number of times the Group could make the interest payments on its debt with its earnings before interest and taxes.

| *(In Thousands except for Ratios)* | | | 2019 | 2018 |
|---|---|---|---|---|
| Interest Coverage Ratio | = Total Earnings before Interest and Taxes / Interest Expense | = | ₱1,473,745 / 88,377 | ₱1,254,794 / 51,354 |
| | | = | 16.68 | 24.43 |

The high ratios show that the Group's operating results, measured through EBIT, is more than sufficient to cover interest payments arising from its debts. The movement in interest expense is parallel to the increase in the outstanding balances of the loans.

**Asset-to-Equity Ratio**

This ratio of the Group's total assets to its stockholder's equity measures the Group's leverage and long-term solvency. The equity multiplier is a measurement of a company's financial leverage.

| *(In Thousands except for Ratios)* | | | 2019 | 2018 |
|---|---|---|---|---|
| Asset-to-Equity Ratio | = Total Assets / Total Equity | = | ₱12,487,969 / 6,837,843 | ₱9,562,693 / 5,598,387 |
| | | = | 1.83 | 1.71 |

An increase in ratio between total assets and total equity during the current year compared to prior period, showing that the Group finances the purchase of assets mostly through equity or internally-generated funds but is also using debt-financing to fund growth in business.

***2019 compared with 2018***

The Group recorded a consolidated net income after tax of ₱1,194.03 million for the year 2019, an increase of (10%) as compared to the consolidated net income after tax of ₱1,086.10 million in 2018.

Revenues from in-flight catering contributed 47% of the total revenues. Catering segment revenue significantly grew from last year's ₱1.66 billion to the current year's ₱2.91 billion. This is brought about by increase in the number of meals served to airline and institutional clients, from 5.8 million in 2018 to 12.4 million meals in 2019. Increase in meal count is attributable to contributions coming from subsidiaries of MACS, namely MSFI which begun commercial operations in March 2019 and MacroAsia SATS Inflight Services ("MSIS"), a subsidiary of MACS which was designated as inflight caterer of Philippine Airlines starting March 16, 2019.

The revenues from ground-handling and aviation services rose to ₱2.87 billion from ₱1.46 billion in 2018. The growth is due to increasing passenger and ramp services for PAL and PAL Express in Manila and Cebu. MacroAsia Airport Services is one of 3 ground handlers that were given concessions to operate in the new Terminal 2 in Mactan, Cebu, and it started to book revenues in that terminal in October 2018. Flights handled grew by a total of 76,217 flights (+63%), from 120,862 in 2018 to 197,079 in the current year. MASCORP has established its presence in 27 airport stations

this year, from 7 stations in 2016. The ground handling and aviation revenue contributed 47% of the total revenues.

Revenues from water operations contributed 6% of the total revenues, an increased by ₱76.55 million (+28%) to ₱347.60 million from ₱271.04 million during the same period last year. BTSI benefited from the re-opening of Boracay Island in October 2018, as it gained more clients and achieved new revenue sources from STP-related operations. In October 2018, Summa has been acquired by ASSC, one of the Group' wholly-owned subsidiaries. Summa also contributed to the growth in revenue of the Group's water segment. Water segment billed volume of water in cubic meters ("cu.m.") have grown by +92% from 4.06 million cu.m. in 2018 to 7.79 million cu.m. in 2019.

Administrative revenues did not vary significantly as rates charged did not vary significantly compared with last year. No revenues were derived from chartered flights in 2017 since the operations of the helicopter was halted in August 2016. Currently, MAATS is generating income only from fixed-based operations (FBO) services.

Exploratory drilling revenue represents MMC's earnings from drilling contracts in Carrascal Surigao and Dinapigue, Isabela based on percentage of completion.

Aviation training school, First Aviation Academy ("FAA") has started its commercial operation in May 2019 which onboarded batches of trainees.

Total direct costs in 2019 amounted to ₱4.82 billion, posting an increase of ₱2.22 billion (+85%) from 2018. The increase is due to business volume growth of ground-handling and catering subsidiaries. Wage increases also impacted on the labor costs. Consolidated operating expenses increased by ₱327.81 million from last year's ₱710.71 million due to the increase in personnel expenses as the Group continuously grew, aside from the impact of higher taxes caused by the new tax reform law.

Share in net income/loss of associates amounting to ₱1.08 billion which increased by₱7.25 (+1%) million represents MAC's share in the net operating result of its associated companies (LTP, CPCS and JASCO). Changes in equity shares from period to period are dependent upon the results of operations of the three associated companies. Share in our MRO business is flat compared with last year impacted negatively by the adoption of IFRS 16 standard on Leases (on the interest component – where interest charged on the earlier years is higher and decreases over the term of lease coupled with the impact of USD forex devaluation). For the year ended December 31, 2019, our MRO business registered profits of ₱2.06 billion from which we share 49% or ₱1.03 billion. In 2018, MAC's share in LTP's income is ₱1.02 billion, out of ₱2.06 billion. CPCS - our catering associate in Cebu, reflected a 16% decrease in its net earnings as one of its major clients shifted its meal plan to bought-in products beginning March 2019. MAC booked its 40% net income share in CPCS at ₱39.84 million, compared to last year's ₱47.55 million.

The interest income of ₱11.78 million pertain to income earned from short-term investments, accretion of interest from refundable deposits and from installment receivables. Financing charges increased from ₱51.35 million in 2018 to ₱88.38 million in 2019, aligned with the increase in notes payable of the Group and the impact of adoption of IFRS 16 *Leases.*

Other income and charges is higher at ₱53.81 million against the ₱29.77 million in 2018 mainly due to contribution of subsidiaries which started commercial operations and acquired in prior year and full year contribution reported during the year.

The Group posted a provision for income tax in the amount of ₱191.34 million in 2019, 63% higher as compared to 2018's ₱117.34 million align with the increase in business volume.

Management remains confident about the Group's future and its ability to grow profits through the Group's major subsidiaries posting a stronger operating and financial performance, including our MRO, catering associates, LTP and CPCS and ground handling associate JASCO through operational efficiency and continuous growth by active pursuit of new business opportunities.

***Financial Position***

At the consolidated level as of December 31, 2019, our total assets stood at ₱12.49 billion, posting a ₱2.93 billion increase (+31%) from last year-end's level of ₱9.57 billion. Cash and cash equivalents of ₱1.22 billion increased by ₱544.4 million (+81%), attributable to the increase in operating cash inflows from growth in business volume, proceeds from loan availments and net proceeds from sales of investments in subsidiaries to non-controlling interest. The Group sees no liquidity issues, as the cash balances of the operating subsidiaries continue to increase from robust operating cash inflows. The operations of the investments in MSFI, MSIS and FAA which has started its commercial operation during the year will also help the cash inflows.

Receivables and contract assets grew by ₱1.03 billion (+114%) due to growth in business volume of the Group's catering and ground handling subsidiaries. These are expected to be collected within the year. Inventories of ₱105.98 million were maintained in line with forecasted inventory level requirements. Other current assets of ₱348.49 million represents input taxes, creditable withholding and prepaid taxes and unamortized prepayments for insurance covers, rent, utilities and unconsumed supplies as of December 31, 2019.

Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. Movements in the account are contributed by the share in cumulative translation adjustments for LTP due to foreign exchange fluctuations, share in re-measurement gains and losses on defined benefit plans due to the revised PAS19, share in cash dividends declared during the current period, and the incremental equity share in net earnings/loss of the associated companies. The Group recorded an increase of 35% or ₱801.86 million in this investment account, from ₱2.29 billion in 2018 to ₱3.09 billion in 2019.

The group's property and equipment of ₱2.56 billion increased by ₱495.54 million from last year's ₱2.07 billion due to new acquisitions made by our institutional catering facility, MASCORP for their ground handling requirements, First Aviation Academy ("FAA") for its aircraft and other aviation training equipment, and BTSI for its STP servicing equipment and pipelaying. Deferred mine exploration costs of ₱20.42 million remained the same. Investment property of ₱143.85 million pertains to land held for future development by MAPDC.

Input taxes-net represent VAT paid on purchases of goods and services that can be recovered as tax refund/credit from the Bureau of Internal Revenue (BIR) or the Bureau of Customs. The Group also has input taxes arising from acquisition of property and equipment and other assets.

The carrying amount of deferred income tax assets of ₱51.90 million as of December 31, 2019. The DTA mostly came from temporary differences from rental expense as a result of adoption of IFRS 16 *Leases*, allowances on probable losses and doubtful accounts. Intangible assets and goodwill increased by ₱28.72 million (+11%) due to the recognition of NAWASCOR's right to use asset which pertain to rights to operate, manage, maintain water systems of certain subdivisions. Other noncurrent assets account includes advances to contractors and suppliers of ₱55.0 million, equity investments designated at fair value through other comprehensive income (FVTOCI)/ available for sale (AFS) investments ₱76.14 million, deferred project costs ₱57.01 million, deposits of ₱42.71 million, deferred mine exploration costs of ₱20.42 million, installment receivables-net of current portion

₱48.34 million, contract asset-net of current portion of ₱13.52 million, pension assets of ₱1.73 million, deferred rent expense of ₱11.92 million, and restricted investments of ₱7.18 million. The goodwill recognized by the Group amounting to ₱127.84 million resulted from the Company's acquisition of a non-controlling interest (13%) from a previous stockholder of MACS in 2006 and the purchase by MAPDC of 67% of BTSI in 2016, 100% of NAWASCOR in 2017 and ASSC of 60% of SUMMA in 2018. Service concession right amounting to ₱424.61 million pertains to incurred construction costs in relation to the construction of water treatment plant and pipe laying activities of SNVRDC and right for water supply and distribution of NAWASCOR and SUMMA. This asset was accounted for in accordance to IFRIC 12, Service Concession Arrangements, under the intangible asset model as SNVRDC received the right to charge users of the public service.

Accounts payable and accrued liabilities increased by ₱882.68 million (+102%) as of December 31, 2019 mainly due to the significant increase in volume of the ground handling and catering operations.

Loans payable of ₱1,841.9 billion refers to the loan availed from local banks by several companies under the Group to finance their asset acquisition as a result of business expansion which remain outstanding as of year-end. During the year, loans were availed by, MSFI amounting to ₱275 million, BTSI with ₱150 million, MASCORP with ₱162.3 million and US$3.5 million and MAC with ₱500 million. Loan settlement during the year amounted to ₱533.6 million.

Accrued retirement benefits payable of 66.61 million and other long term employee benefits amounting to ₱26.48 million is accounted for based on the latest actuarial valuation of the Group. Deferred tax liabilities of ₱142.80 million remained at the same level as prior year's ending balance. Dividends payable of ₱35.93 million shows the remaining outstanding checks payable by the Parent Company for the cash dividends declared to MAC shareholders.

The Group's other reserves pertain to MAC's gain on the sale of 13% of MACS shares of stock to SATS, the sale 49% of WBSI shares to MetroPac Water Investments Corporation (MWIC) and the sale of MASCORP's 20% shares to Konoike Transport Co., LTD. ("Konoike"), net of taxes paid. This is accounted for in accordance with International GAAP 2015 on sale of shares of stock without loss of control. Other components of equity pertain to Reserve for fair value changes of financial assets investments amounting to ₱45.07 million, the Parent Company's share in foreign currency translation adjustments (loss) of LTP in the amount of (₱47.32) million which changes in accordance with US$ exchange rate fluctuations during the period covered, MAC's share in re-measurements of defined benefit plan of associates, and re-measurements of defined benefit plans of subsidiaries.

Movement in the "non-controlling interests" depends on the results of operations of MACS, ASSC, BTSI and WBSI, subsidiaries of MAPDC with JV partners. This account reflects the 33% equity share of SATS (JV Partner of MAC) in the catering JV,40% share of minority shareholders in SUMMA, 33% share of minority shareholders in BTSI, 49% share of MWIC in WBSI, 49% share of PTC Holding, Inc. ("PTC") in FAA, 20% share of Konoike in MASCORP and 49% share of minority shareholders in Allied Konsult. As of December 31, 2019, non-controlling interests amounted to ₱413.69 million.

***2018 compared with 2017***

The Group recorded a consolidated net income after tax of ₱1,086.10 million for the year 2018, a slight increase of (2%) as compared to the consolidated net income after tax of ₱1,066.15 million in 2017.

The Group's major subsidiaries posted a stronger operating and financial performance in 2018, including our MRO and catering associates, LTP and CPCS.

Revenues from in-flight catering contributed 49% of the total revenues and MACS has been consistent in reporting billion peso revenues from last year's ₱1.54 billion to the current year's ₱1.66 billion. This is brought about by increase in the number of meals served to airline clients, from 3.5 million in 2017 to 3.6 million meals in 2018. The revenues from ground-handling and aviation services rose to ₱1.46 billion from ₱1.03 billion in 2017. The growth is due to continuous passenger and ramp services for the domestic and international flights of PAL and PAL Express and MASCORP took over ground handling services of new foreign clients outstations which increased by a total of 28,089 flights (+30%) from 92,773 in 2017 to 120,862 in the current year. MASCORP has established its presence in 32 airport stations this year, from 7 stations in 2016.Revenues from water operations contributed 8% of the total revenues and increased by ₱128.40 million (+90%) to ₱271.0 million from ₱142.65 million during the same period last year. The growth is brought about by the acquisition of SUMMA, which is engaged in water treatment and equipment lease last October 2018 further NAWASCOR, an operating water utility company in Naic, Cavite which was acquired last August 2017 contributed ₱26.14 million in revenues, as well as the customer growth in Solano Water. Revenue contribution from BTSI grew despite the temporary closure of Boracay. DENR released a memorandum circular requiring a number of establishments in Boracay to have their own Sewerage Treatment Plants ("STP"). BTSI entered into agreements for the construction, operation and maintenance of sewerage and treatment facility which created additional revenue stream for BTSI.

Administrative revenues did not vary significantly as rates charged did not vary significantly compared with last year. No revenues were derived from chartered flights in 2017 since the operations of the helicopter was halted in August 2016. Currently, MAATS is generating income only from fixed-based operations (FBO) services.

Total direct costs in 2018 amounted to ₱2.60 billion, posting an increase of ₱614.47 million (+31%) from 2017. The increase in the current period is due to the higher labor costs of our ground-handling and catering subsidiary, driven largely by increases in manpower count due to the growth in business volume and preparation of the ground handling company for the opening of the Terminal 2 in Cebu and taking over of some clients of a ground handling company which closed last April. Wage increases also impacted on the labor costs. In addition, cost of construction for the construction of STP for BTSI's customer contributed to the significant increase in direct cost. Consolidated operating expenses increased by ₱109.28 million from last year's ₱601.43 million due higher admin costs, productivity-based incentives for employees of the Group, start-up costs of the water related subsidiaries, and higher taxes caused by the new tax reform law.

Share in net income/loss of associates amounting to ₱1,070.01 million which increased by₱91.51 (+9%) million represents MAC's share in the net operating result of its associated companies (LTP and CPCS). Changes in equity shares from period to period are dependent upon the results of operations of the two associated companies. For the year ended December 31, 2018, our MRO business registered profits of ₱2.06 billion from which we share 49% or ₱1,022.5 billion. In 2017, MAC's share in LTP's income is ₱939.0 million, out of ₱1.894.7 billion. CPCS - our catering associate in Cebu, reflected a 20% increase in its net earnings. MAC booked its 40% net income share in CPCS at ₱47.55 million, compared to last year's ₱39.54 million.

The interest income of ₱11.08 million pertain to income earned from short-term investments, accretion from refundable deposits and installment receivables. Financing charges increased from ₱33.2 million in 2017 to ₱51.4 million in 2018, aligned with the increase in notes payable of the Group and the impact of adoption of IFRS 16 *Leases*.

Other income and charges is higher at ₱57.18 million against the ₱44.29 million in 2017 mainly due to foreign exchange gains.

The Group posted a provision for income tax in the amount of ₱117.34 million in 2018, 1% higher as compared to 2017's ₱116.42 million.

Management remains confident about the Group's future and its ability to grow profits. LTP stands to benefit from a robust growth in its line maintenance business, as the planes for servicing from its core client which stood at 61 aircrafts at the end of last year, has currently grown to 79 aircrafts as of the year ended. LTP has started to provide line maintenance for PALex starting July 2018. Continuous growth shall also be driven by new business opportunities in the catering and ground handling business units that will include passenger lounge servicing and expansion in other secondary airports outside our current locations. MacroAsia Airport Services stands to benefit from its being one of 3 ground handlers that were given concessions to operate in the new Terminal 2 in Mactan, Cebu, which became operational. The new commissary of MSFI, a subsidiary of MACS is set to start commercial operations by end of 1st quarter 2019.

***Financial Position***

At the consolidated level as of December 31, 2018, our total assets stood at ₱9.56 billion, posting a ₱1.73 billion increase (+22%) from last year-end's level of ₱7.84 billion. Cash and cash equivalents of ₱675.20 million decreased by ₱238.0 million (-26%), which is caused by the start-up costs of our pre-operating companies and business expansion of MASCORP and BTSI. The Group sees no liquidity issues, as the cash balances of the operating subsidiaries continue to increase from robust operating cash inflows. The operations of the investments in SNVRDC, BTSI, SUMMA and NAWASCOR will also help the cash inflows.

Receivables grew by ₱202.60 million (+29%) due to trade and non-trade related additions in our current operations. These are expected to be collected within the year. Inventories of ₱88.77 million were maintained in line with forecasted inventory level requirements. Other current assets of 188.87 million represents input taxes, creditable withholding and prepaid taxes and unamortized prepayments for insurance covers, rent, utilities and unconsumed supplies as of December 31, 2018.

Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. Movements in the account are contributed by the share in cumulative translation adjustments for LTP due to foreign exchange fluctuations, share in re-measurement gains and losses on defined benefit plans due to the revised PAS19, share in cash dividends declared during the current period, and the incremental equity share in net earnings/loss of the associated companies. The Group recorded an increase of 25% or ₱460.25 million in this investment account, from ₱1.83 billion in 2017 to ₱2.29 billion in 2018.

The group's property and equipment of ₱2.07 billion increased by ₱920.43 million from last year's ₱1.14 billion due to new acquisitions made by our catering, ground handling and pre-operating companies. Deferred mine exploration costs of ₱20.42 million remained the same. Investment property of ₱143.85 million pertains to land held for future development by MAPDC.

Input taxes-net represent VAT paid on purchases of goods and services that can be recovered as tax refund/credit from the Bureau of Internal Revenue (BIR) or the Bureau of Customs. The Group also has input taxes arising from acquisition of property and equipment and other assets.

The carrying amount of deferred income tax assets of ₱25.33 million as of December 31, 2018, did not change significantly from the prior year-end. The DTA mostly came from the allowances on probable losses and doubtful accounts. Intangible assets and goodwill increased by ₱33.89 million (+14%) due to the recognition of SUMMA's goodwill amounting to ₱27.37 million. Other noncurrent assets account includes advances to contractors and suppliers of ₱196.95 million, equity

investments designated at fair value through other comprehensive income (FVTOCI)/ available for sale (AFS) investments ₱65.16 million, deferred project costs ₱56.81 million, deposits of ₱41.37 million, deferred mine exploration costs of ₱20.42 million, installment receivables-net of current portion ₱49.40 million, contract asset-net of current portion of ₱25.41 million, pension assets of ₱37.21 million, deferred rent expense of ₱13.35 million, prepaid rent of ₱6.34 million and restricted investments of ₱7.18 million. The goodwill recognized by the Group amounting to ₱127.84 million resulted from the Company's acquisition of a non-controlling interest (13%) from a previous stockholder of MACS in 2006 and the purchase by MAPDC of 67% of BTSI in 2016, 100% of NAWASCOR in 2017 and ASSC of 60% of SUMMA in 2018. Service concession right amounting to ₱429.70 million pertains to incurred construction costs in relation to the construction of water treatment plant and pipe laying activities of SNVRDC and right for water supply and distribution of NAWASCOR. This asset was accounted for in accordance to IFRIC 12, Service Concession Arrangements, under the intangible asset model as SNVRDC received the right to charge users of the public service.

Accounts payable and accrued liabilities increased by ₱224.85 million (+35%) as of December 31, 2018 mainly due to the significant increase in volume of the ground handling operations and accrual of construction costs for MSFI and BTSI. Notes payable of ₱1,101.98 million refers to the loan availed from local banks by several companies under the Group. MASCORP our ground-handling subsidiary, has an outstanding loan of ₱94 million used to finance its various asset acquisitions. Loan obtained by the Parent Company in December 2016 with outstanding amount of ₱85 million related to the acquisition of BTSI, additional loans drawn by MSFI amounting to ₱125 million in April and ₱275 million in July. In May 2018, BTSI entered into long-term loans amounting to ₱100 million. Additional short-term loans are availed by MASCORP and BTSI with an aggregate amount of ₱78.68 million and ₱75.0 million, respectively on the 3rd quarter. Moreover, additional loans availed by MASCORP and BTSI with aggregate amount of ₱50.0 million and ₱150.0 million, respectively on the 4th quarter. Accrued retirement benefits payable of ₱19.35 million and other long term employee benefits amounting to ₱9.70 million is accounted for based on the latest actuarial valuation of the Group. Deferred tax liabilities of ₱138.61 million remained at the same level as prior year's ending balance. Dividends payable of ₱21.23 million shows the remaining outstanding checks payable by the Parent Company for the cash dividends declared to MAC shareholders.

The Group's other reserves pertain to MAC's gain on the sale of 13% of MACS shares of stock to SATS and the sale of 49% of WBSI shares to MetroPac Water Investments Corporation (MWIC), net of taxes paid. This is accounted for in accordance with International GAAP 2015 on sale of shares of stock without loss of control. Other components of equity pertain to Reserve for fair value changes of financial assets investments amounting to ₱35.72 million, the Parent Company's share in foreign currency translation adjustments (loss) of LTP in the amount of ₱53.35 million which changes in accordance with US$ exchange rate fluctuations during the period covered, MAC's share in re-measurements of defined benefit plan of associates, and re-measurements of defined benefit plans of subsidiaries.

Movement in the "non-controlling interests" depends on the results of operations of MACS, ASSC, BTSI and WBSI, subsidiaries of MAPDC with JV partners. This account reflects the 33% equity share of SATS (JV Partner of MAC) in the catering JV,40% share of minority shareholders in SUMMA, 33% share of minority shareholders in BTSI and 49% share of MWIC in WBSI. As of December 31, 2018, non-controlling interests amounted to ₱363.09 million.

***2017 compared with 2016***

The Group recorded a consolidated net income after tax of ₱1,066.15 million for the year 2017, exhibiting a huge positive variance of ₱625.98 million (+142%) as compared to the consolidated net income after tax of ₱440.17 million in 2016.

The Group's major subsidiaries posted a stronger operating and financial performance in 2017, including our MRO and catering associates, LTP and CPCS.

Revenues from in-flight catering contributed 52% of the total revenues and has been consistent in reporting billion peso revenues from last year's ₱1.45 billion to the current year's ₱1.54 billion. This is brought about by increase in the number of meals served to airline clients, from 3.7 million in 2016 to 3.9 million meals in 2017. The revenues from ground-handling and aviation services rose to ₱1.03 billion from ₱678.77 million in 2016. The growth is due to continuous passenger and ramp services for the domestic and international flights of PAL and PAL Express which increased by a total of 56,704 flights (+157%) from 36,069 in 2016 to 92,773 in the current year. MASCORP has established its presence in 27 airport stations this year, from 7 stations in 2016. Another highlight of the 2017 revenues is the ₱142.65 million (+2,180%) increase in the revenue of water operations brought mainly by Boracay Tubi (one of two water utility companies in Boracay Island which was acquired by MAPDC in December 2016), as well as the customer growth in SNVRDC (Solano Water) which started commercial operations only in March 2016, and the acquisition of NAWASCOR, an operating water utility company in Cavite last August 2017. As of December 31, 2017, the water companies have a total of 12,556 connections which grew by 9,205 (+275%) from 3,351 connections in 2016.

Administrative revenues did not vary significantly as rates charged did not vary significantly compared with last year. No revenues were derived from chartered flights in 2017 since the operations of the helicopter were halted in August 2016. Currently, MAATS is generating income only from fixed-based operations (FBO) services.

Total direct costs in 2017 amounted to ₱1.98 billion, posting an increase of ₱327.60 million (+30%) from 2016. The increase is due to the higher labor costs of our ground-handling and catering subsidiary, driven largely by increases in manpower count due to the growth in business volume. Wage increases also impacted on the labor costs. Consolidated operating expenses decreased by ₱111.77 million from last year's ₱713.20 million due to the recognition of provision of allowance on deferred mine cost amounting to ₱212.9 million in 2016. Excluding the effect of this provision, the increase in operating expenses is caused by productivity-based incentives for employees of the Group, start-up costs of the water related subsidiaries, and higher total rental expenses of MAPDC as leased areas increased.

Share in net income/loss of associates amounting to ₱978.51 million which increased by ₱446.08 (+84%) million represents MAC's share in the net operating result of its associated companies (LTP and CPCS). Changes in equity shares from period to period are dependent upon the results of operations of the two associated companies. For the year ended December 31, 2017, our MRO business registered profits of ₱1.89 billion from which we share 49% or ₱939.0 million. In 2016, MAC's share in LTP's income is ₱497.27 million, out of ₱1.01 billion. CPCS - our catering associate in Cebu, reflected a 12% increase in its net earnings. MAC booked its 40% net income share in CPCS at ₱39.54 million, compared to last year's ₱35.17 million.

The interest income of ₱8.48 million pertains to income earned from short-term investments. Financing charges increased from ₱3.3 million in 2016 to ₱33.15 million in 2017, aligned with the increase in notes payable of the Group and the impact of adoption of IFRS 16 *Leases*.

Other income and charges is lower by ₱30.86 million against the ₱75.14 million in 2016. In 2016, MAATS recognized a net recovery from insurance claim amounting to ₱20.39 million.

The Group posted a provision for income tax in the amount of ₱116.42 million in 2017, 12% lower as compared to 2016's ₱132.37 million.

Management remains confident about the Group's future. LTP is foreseen to continue its profitability, as it strives to strengthen its base maintenance capability to service foreign airlines and line maintenance to cover the fast-growing tourism industry in the Philippines. Continuous growth shall also be driven by new business opportunities in the food business segment, ground handling services and water-related businesses that will include passenger lounge servicing and expansion in other secondary airports outside our current locations.

***Financial Position***

At the consolidated level as of December 31, 2017, our total assets stood at ₱7.84 billion. Cash and cash equivalents of ₱913.19 million increased by ₱353.50 million (+63%), which is caused by the dividends received from LTP amounting to ₱368.68 million in March 2017. The Group sees no liquidity issues, as the cash balances of the operating subsidiaries continue to increase from robust operating cash inflows. The operations of the investments in SNVRDC, BTSI and NAWASCOR will also help the cash inflows.

Receivables grew by ₱121.85 million (+21%) due to trade and non-trade related additions in our current operations. These are expected to be collected within the year. Inventories of ₱79.12 million were maintained in line with forecasted inventory level requirements. Other current assets of ₱136.89 million represent input taxes, creditable withholding and prepaid taxes and unamortized prepayments for insurance covers, rent, utilities and unconsumed supplies as of December 31, 2017.

Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. Movements in the account are contributed by the share in cumulative translation adjustments for LTP due to foreign exchange fluctuations, share in re-measurement gains and losses on defined benefit plans due to the revised PAS19, share in cash dividends declared during the current period, and the incremental equity share in net earnings/loss of the associated companies. The Group recorded an increase of 34% or ₱1,825.41 million in this investment account in 2017.

The group's property and equipment of ₱1.15 billion increased by ₱295.28 million from last year's ₱849.82 million due to new acquisitions made by our catering, ground handling and pre-operating companies. Deferred mine exploration costs of ₱20.42 million remained the same. Investment property of ₱143.85 million pertains to land held for future development by MAPDC.

Input taxes-net represent VAT paid on purchases of goods and services that can be recovered as tax refund/credit from the Bureau of Internal Revenue (BIR). The Group also has input taxes arising from acquisition of property and equipment and other assets.

The carrying amount of deferred income tax assets of ₱22.65 million as of December 31, 2017, did not change significantly from the prior year-end. The DTA mostly came from the allowances on probable losses and doubtful accounts. Intangible assets and goodwill increased by ₱85.94 million (+42%) due to the recognition of BTSI's customer contracts and right to use amounting to ₱142.7 million. Other noncurrent assets account includes advances to contractors and suppliers of ₱147.17 million, input taxes of ₱138.62 million, deferred project costs ₱42.26 million, equity investments

designated at FVTOCI/ AFS investments ₱110.40 million, deposits of ₱29.64 million, deferred mine exploration costs of ₱20.42 million, pension assets of ₱19.51 million, deferred rent expense of ₱13.57 million, prepaid rent of ₱7.34 million and restricted investments of ₱7.18 million. The goodwill recognized by the Group amounting to ₱153.20 million resulted from the Company's acquisition of a non-controlling interest (13%) from a previous stockholder of MACS in 2006 and the purchase by MAPDC of 67% of BTSI in 2016 and 100% of NAWASCOR in 2017. Service concession right amounting to ₱402.92 million pertains to incurred construction costs in relation to the construction of water treatment plant and pipe laying activities of SNVRDC and right for water supply and distribution of NAWASCOR. This asset was accounted for in accordance to IFRIC 12, Service Concession Arrangements, under the intangible asset model as SNVRDC received the right to charge users of the public service.

Accounts payable and accrued liabilities increased by ₱267.46 million (+71%) as of December 31, 2017 mainly due to the significant increase in volume of the ground handling operations and accrual of construction costs for MSFI. Loans payable of ₱720.31 million refers to the loan availed from a local bank last 2014 that was used by our ground-handling subsidiary to finance its asset acquisition and another ₱30 million in September and ₱94.27 million in November in 2017, loan obtained by the Parent Company in December 2016 amounting to ₱150 million related to the acquisition of BTSI, additional loans drawn by MSFI amounting to ₱125 million in April and ₱275 million in July and by BTSI amounting to ₱10 million in June, ₱7.55 million in July and ₱20 million in September this year. Accrued retirement benefits payable of ₱17.48 million and other long term employee benefits amounting to ₱11.49 million is accounted for based on the latest actuarial valuation of the Group. Deferred tax liabilities of ₱125.19 million remained at the same level as prior year's ending balance. Dividends payable of ₱180.66 million shows the remaining outstanding checks payable by the Parent Company for the cash dividends declared to MAC shareholders.

The Group's other reserves pertain to MAC's gain on the sale of 13% of MACS shares of stock to SATS and the sale of 49% of WBSI shares to MetroPac Water Investments Corporation (MWIC), net of taxes paid. This is accounted for in accordance with International GAAP 2015 on sale of shares of stock without loss of control. Other components of equity pertain to Available For Sale (AFS) investments reserve amounting to ₱14.37 million, the Parent Company's share in foreign currency translation adjustments (loss) of LTP in the amount of ₱52.66 million which changes in accordance with US$ exchange rate fluctuations during the period covered, MAC's share in re-measurements of defined benefit plan of associates, and re-measurements of defined benefit plans of subsidiaries.

Movement in the "non-controlling interests" depends on the results of operations of MACS, and BTSI and WBSI, subsidiaries of MAPDC with JV partners. This account reflects the 33% equity share of SATS (JV Partner of MAC) in the catering JV, 33% share of minority shareholders in BTSI and 49% share of MWIC in WBSI. As of December 31, 2017, non-controlling interests amounted to ₱319.34 million.

***Plans and Prospects***

Within this year and the next two years, the MacroAsia Group will keep on growing its core revenues from its matured business units.

**MRO (Aircraft Maintenance, Repair, Overhaul):**
The Group's MRO business, through Lufthansa Technik Philippines (LTP) is expected to strengthen its base maintenance business, as its track record has attracted a growing list of airline clients for its two A380 hangars in the MacroAsia Special Ecozone. In addition to this, the completion of LTP's new hangar, "Hangar 1A"will bring the total number of hangar bays to 10. The new hangar will enhance LTP's capacity for base maintenance by 20% and is expected to create an additional 275 jobs, on top of the existing 3,300 workforce. Hangar 1A is capable of servicing an A380 or a combination of a wide-body aircraft and two narrow-body aircrafts. For the coming 2020, its line maintenance business is also expected to have a downturn due to some uncontrolled occurrences such as the eruption of Taal Volcano and the spread of COVID-19 virus.

**FOOD SERVICES:**
***Inflight Food***: The Group's inflight catering services business through MacroAsia Catering Services (MACS), MacroAsia SATS Inflight Services (MSIS) and Cebu Pacific Catering Services (CPCS), are also expected to have a downturn due to the mentioned uncontrolled occurrences. However, MACS is targeting to expand its client portfolio by 2020.

***Non-Airline Food***: MacroAsia SATS Food Industries (MSFI) started operations on March 2019 and has since produced 2,800 meals per day. MSFI is insulated from the operating risks in the aviation industry and will be the fighting arm of the food business. MSFI is looking to have a significant increase in utilization rate by end of 2020. It is geared to serve more institutional clients like banks, convenience stores, restaurants and other non-airline clients.

**GATEWAY SERVICES:**
The Group's ground handling business, through MASCORP which is present in 30 airport locations all over the Philippines is also expected to have a downturn due to cancellation of flights following the spread of COVID-19. However, MASCORP will benefit from having a better labor productivity rate. Since MASCORP was contracted by PAL and PALEx for the full ground handling requirements starting March 2019, the Group's revenues from gateway services will go beyond ground handling, as this will include apron ramp cleaning, maintenance of ground support equipment (GSE) and cargo handling. MASCORP is also expected to receive service fees from sending staffs to Japan for the ground handling requirements within the Konoike Group. In addition, JASCO, an affiliate of MAC starting December 2019, is also expected to contribute profits on this segment.

**PROPERTY DEVELOPMENT**:
In 2020, the Group will develop the greenfield area (4.3 hectares) in Mactan, Cebu International Airport into facilities that will support ground-handling activities, cargo and aircraft movement in the airport. The leases for this land which impacted on the profitability of MAPDC in 2019 and previous years will soon be converted into revenue-generating assets for the Group.

**AVIATION TRAINING**:
With the worldwide demand for pilots growing year on year, The Group's aviation training business, through First Aviation Academy, Inc. (FAA), aims to address the foreseen shortage of aviation professionals for airline clients not only in the Philippines but also in other countries.

In recent years, the Group has ventured into natural resources development, considering its rich history as a mining company in the 1970's.

**MINING:**
Today, as an offshoot of prevailing government policies and announcements, it sees no short-term clarity on the development of its fully-explored nickel tenement in Palawan, although there are offers from third-parties for a JV or co-development of the mine.

Since it has staff that are experienced in nickel exploration, the Group will continue to provide its exploration expertise to third-party clients who continue to pursue exploration activities through contractors like MacroAsia. Such service business though remains constrained by the prevailing mining environment in the country, and the prospect of third-party clients remains limited to the major mining players.

**WATER BUSINESS:**
In 2019, the MacroAsia Group is booking revenues from 3 operating water utilities owned by MAPDC namely: BTSI, NAWASCOR and SNVRDC, and the other one is SUMMA which is owned by ASSC. From the total of 4.1 million cubic meters sold in 2018, the volume sold by the water utilities in 2019 increased by 92% to 7.8 million.

It is expected that in 2020, the water business of MAC will continue to grow not only by expanding its client portfolio but also establishing the presence of the Group through building water systems in more locations.

BTSI is continuously undergoing expansion of its current facilities for potable water and wastewater treatment. There is also a new water source being developed in the mainland to enable the Company to cater to more clients and service the flourishing tourism industry in the island. In 2020, one of the key areas that BTSI will focus on is the optimization of its operations. The Company has also started on development activities for its other franchises where it will bring its expertise in providing affordable and reliable service to the communities it serves.

NAWASCOR keeps on growing through construction of additional water sources and pipelines in Naic, Cavite. By conveying great quality of services to the concessionaires, NAWASCOR expects to increase the number of water connections and consumptions through serving more subdivisions in Cavite.

SNVRDC plans to achieve more connections through its pipe extension projects for its distribution pipelines, as it has yet to service a number of areas within the 6 center barangays where its major pipelines are located. This extension projects will substantially be completed by mid of 2020, thus increasing further SNVRDC's footprint for more accounts under its portfolio.

As part of Summa's commitment to environmental sustainability, it aims to expand its business in wastewater treatment. Summa plans to achieve this through sales and lease of affordable but efficient Compact Wastewater Treatment Systems all over the Philippines. Summa also targets to substantially grow its business in bulk water and will further improve the operational efficiency of its existing water treatment plants.

MAC and its subsidiaries expect to maintain a liquid position, as cash flow generation shall be seen to increase from current and new businesses of the Group. While the Group endeavors to fund new investments mostly from internally-generated funds, the robust growth plans may drive the Group to avail of debt from bilateral partner banks for major projects in 2019 and 2020.

Due to the nature of the Group's operations, no product research and development activities are anticipated during the next 12 months. However, more employees, particularly aircraft-services and passenger services staff shall continue to undergo specialized training and development, since there is a demand for such skills in the global labor market.

***Information on Independent Accountant and Other Related Matters***

***External Audit Fees and Services***

| | 2019 | 2018 |
|---|---|---|
| Regular annual audit of financial statements | ₱7,418,500 | ₱5,803,500 |
| Non audit fees | - | 1,097,000 |
| **Total** | **₱7,418,500** | **₱6,900,500** |

*Audit Fees and Audit-related Fees*

SGV & Co. was engaged by the Corporation to audit its annual financial statements in connection with the statutory and regulatory filings or engagements for the years ended 2018 and 2017. The audit-related fees pertain to assurance and services that are reasonably related to the performance of the audit.

*Tax Fees*

No tax consultancy services were secured from SGV & Co. for the past two (2) years.

*All Other Fees (Non-audit fees)*

No other services were secured from SGV & Co. for the past two (2) years.

***Audit Committee's Approval Policies for the Services of External Auditor***

All services to be rendered and fees to be charged by the external auditors are presented to and pre-approved by the Audit Committee. An audit planning meeting is conducted at least one month before the actual performance of work. The meeting includes discussion of the following:

a. client service team
b. scope of audit work
c. updates for management
d. possible risk areas and suggested Management action plans to strengthen internal controls
e. coordination with the audit of subsidiaries and associates
f. audit work plan and critical dates
g. expectations settings

***Independent Public Accountants***

SyCip Gorres Velayo & Co. (SGV & Co.) has acted as the Group's independent public accountant. Audit Partner-in-Charge, Ms. Josephine H. Estomo of SGV & Co. handled the financial audit for the years ended December 31, 2019 and 2018. She has done audit and financial due diligence reviews for some of the largest companies in the Philippines. She has extensive experience in various industries including airline and allied services, real estate, manufacturing (food and beverage, liquor, ceramic tiles), semiconductors, health care services, pharmaceuticals, coconut oil milling, telecommunications, education, oil and gas, mining, hospitals and advertising. She is also knowledgeable on business combinations. She took over from Ms. Aileen L. Saringan of the same auditing firm, who was partner-in-charge from years 2009 to 2013. The change was made in compliance with SEC Memorandum Circular No. 8 – Rotation of External Auditors/Partners-in-Charge.

***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

There were no other changes in or disagreements with accountants during the last three (3) calendar years or any subsequent interim period.

***Corporate Governance***

**Evaluation System**

The provisions of the Manual on Corporate Governance vis-à-vis the Self-Rating Form on Corporate Governance are regularly reviewed to ensure compliance and identify potential improvements. Deviations, if any, are discussed during the Regular Board Meeting of the Corporation.

**Measures To Fully Comply**

In line with SEC Memorandum Circular No. 20 Series of 2013, the Corporation's Directors and top-level management attend, on an annual basis, Strategic and Corporate Governance Trainings, primarily to identify and strengthen the mission and vision and the strategies to carry out its objectives based on leading practices on good corporate governance. The trainings attended are conducted by SEC accredited training providers.

The Corporation also holds regular weekly Management Meetings. These meetings are presided by the President/COO and attended by other officers of the Corporation and the management heads of each of the operating subsidiaries and affiliates to discuss their respective financial and operational performances. Business risks and challenges are likewise discussed during these meetings.

**Deviations**

There are no known deviations from the Corporation's Manual of Corporate Governance except the establishment of the charters of the Board and certain committees; and, that non-executive directors must meet with the external auditor, head of the internal audit, compliance and risk functions without any executive directors present. Compliance with these provisions is now being processed.

**Plan to Improve**

The Corporation continues to coordinate with regulatory government agencies to further improve in-house corporate governance. It shall also adopt globally proven good governance strategies.

In June 2009, the SEC approved the promulgation of a revised Code of Corporate Governance to make several of its provisions mandatory instead of recommendatory. It issued Memorandum Circular No. 6 (Series of 2009) which took effect on July 15, 2009.

Companies are now obliged to follow SEC's prescribed Corporate Governance Manual. It shall evaluate the corporate governance manuals of companies concerned on an annual basis. The new code doubled the penalty for non-compliance or violation of the provisions thereof. In addition, the new code listed the minimum internal control responsibilities of the board and stipulated specific qualifications for members of the Audit Committee.

With this development, the Corporation undertook a revision of its manual on corporate governance to align with the new SEC code. In December 2009, the Board of Directors of MacroAsia Corporation approved the revised manual and disclosed the same to the Philippine Stock Exchange (PSE).

On May 6, 2014, the SEC issued Memorandum Circular No. 9, series of 2014 which mandated all covered corporations to amend their Manuals on Corporate Governance to include therein provisions on stakeholders. In compliance with the Memorandum Circular, the Corporation updated its Corporate Governance Manual which was approved by the Board of Directors during its meeting held on July 18, 2014 and which was disclosed to the SEC and the PSE.

Subsequently, on November 22, 2016, the SEC issued the Code of Corporate Governance which requires all publicly-listed companies to submit a new Manual on Corporate Governance. The Code will adopt the "comply or explain" approach. This approach combines voluntary compliance with mandatory disclosure. Listed companies do not have to comply entirely with the Code, but they must state in their annual corporate governance reports whether they comply with the provisions of the Code, identify any areas of non-compliance and explain the reasons for non-compliance. In accordance therewith, the Corporation amended its Corporate Governance Manual. This was approved by Board of Directors during its meeting held on March 30, 2017, and such approval was disclosed to the SEC and the PSE.

**Legal Proceedings**

On May 20, 2015, MacroAsia Corporation, through its legal counsel, filed a Motion for Reconsideration with the Court of Appeals for its April 22, 2015 decision promulgated by the Special Sixteenth Division confirming the denial by the National Commission on Indigenous People to issue a Certification Precondition applied for by the Corporation.

On March 21, 2016, through MAC's legal counsel, the company received a copy of the favorable decision issued by the Court of Appeals giving due course to the company's Motion for Reconsideration and reversing the above-mentioned ruling.

On December 12, 2016, the NCIP raised its appeal by way of a Petition for Review to the Supreme Court. The case is still pending resolution by the Supreme Court.

# ANNEX D – SECURITIES OF REGISTRANT

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

MAC's common shares are listed and traded at the Philippine Stock Exchange. The approximate number of holders of its common equity is 845. Thetotal outstanding common shares as of May 31, 2020 amounted to 1,575,798,693 shares.

There were no unregistered securities sold by the registrant for the past three (3) years.

***The high and low prices of the Corporation's shares during 2019 and 2018 are as follows:***

| **2018** | **High** | **Low** | **High*** | **Low*** |
|---|---|---|---|---|
| First Quarter | ₱ 23.08 | ₱ 15.92 | ₱ 30.00 | ₱ 20.70 |
| Second Quarter | 22.69 | 17.08 | 29.50 | 22.20 |
| Third Quarter | 21.00 | 15.86 | | |
| Fourth Quarter | 18.26 | 11.80 | | |
| **2019** | **High** | **Low** | | |
| First Quarter | ₱ 22.50 | ₱ 16.64 | | |
| Second Quarter | 23.00 | 18.62 | | |
| Third Quarter | 19.98 | 18.00 | | |
| Fourth Quarter | 21.50 | 16.40 | | |
| **2020** | **High** | **Low** | | |
| First Quarter | ₱ 16.96 | ₱ 3.94 | | |

**Price before effecting 30% stock dividends (effective August 2018).*

The price information as of the latest practicable trading date, June 19, 2020 is ₱6.35.

***The top 20 stockholders of MacroAsia Corporation as of May 31, 2020 are shown below. The Corporation has only one class of shares (common).***

| | **Name** | **No. of Common Shares Held** | **% of Total** |
|---|---|---|---|
| 1 | PCD Nominee Corporation (Filipino) | 282,890,975 | 17.48 |
| 2 | PCD Nominee Corporation (Non-Filipino) | 114,569,707 | 7.08 |
| 3 | PAL Holdings (formerly Baguio Gold Holdings Corporation) | 114,400,000 | 7.07 |
| 4 | Conway Equities, Inc. | 110,643,000 | 6.84 |
| 5 | Pan Asia Securities Corp. | 93,298,585 | 5.77 |
| 6 | Solar Holdings Corporation | 76,700,000 | 4.74 |
| 7 | Dragonstar Management Corp. | 69,875,000 | 4.32 |
| 8 | Profound Holdings, Inc. | 61,750,000 | 3.82 |
| 9 | Excelventures Inc. | 61,626,500 | 3.81 |
| 10 | Bigearth Equities Corporation | 60,450,000 | 3.74 |
| 11 | MacroAsia Corporation | 40,911,700 | 2.53 |
| 12 | Palomino Ventures, Inc. | 37,570,000 | 2.32 |

| | | | |
|---|---|---|---|
| 13 | Absolute Holdings & Equities, Inc. | 32,500,000 | 2.01 |
| 14 | Artisan Merchandising Corp. | 32,500,000 | 2.01 |
| 15 | Caravan Holdings, Inc. | 32,500,000 | 2.01 |
| 16 | Clipper 8 Realty & Development Corp. | 32,500,000 | 2.01 |
| 17 | Golden Path Realty Corporation | 32,500,000 | 2.01 |
| 18 | Primeline Realty, Inc. | 32,500,000 | 2.01 |
| 19 | Quality Holdings, Inc. | 32,500,000 | 2.01 |
| 20 | Sunway Equities, Inc. | 29,211,000 | 1.81 |

***Dividends***

The general dividend policy of the Corporation is governed by its By-Laws which provides that dividends upon the capital stock of the Corporation may be declared by the Board of Directors in the manner and form provided by law, after deducting from the net profit of the Corporation any approved bonuses to the members of the Board of Directors in an amount not exceeding five percent (5%) of the Corporation's net profit before tax and the expenses of administration. In each case, no dividend declaration shall be made by the Corporation which would impair its capital.

Dividends shall not be declared if there are major investments/projects which the Corporation and its subsidiaries and associated companies anticipate in the near future.

**1. Stock Dividends**

No stock dividends were declared in 2019.

On March 22, 2018, the Corporation's Board of Directors approved the declaration of 30% stock dividends to be paid out from unrestricted retained earnings of the Corporation as of December 31, 2017. The stock dividend declaration was approved by the shareholders during the Corporation's Annual Stockholders' Meeting held on July 20, 2018. Record date was August 17, 2018 while payment date was on September 12, 2018.

**2. Stock Dividends Declared After Balance Sheet Date**

On April 30, 2020, the Board of Directors approved the amendment of the Php 0.25/share cash dividends declared on March 6, 2020 to shareholders of record as of April 3, 2020 payable on May 4, 2020 to 20% stock dividends equivalent to 315,159,739 shares with any resulting fractional shares to be dropped, to be paid out from the unrestricted retained earnings of the Corporation as of December 31, 2019. Stock dividend declaration is subject to the approval of the shareholders in its Annual Shareholders' Meeting to be held on July 17, 2020.

**3. Cash Dividends**

| Date Approved | Per share | Stockholder of Record Date | Date Paid/Issued |
|---|---|---|---|
| March 14, 2019 | ₱0.200 | April 12, 2019 | May 10, 2019 |
| December 13, 2017 | ₱0.140 | January 5, 2018 | January 31, 2018 |
| December 14, 2016 | ₱0.080 | January 6, 2017 | February 1, 2017 |
| December 14, 2015 | ₱0.075 | January 4, 2016 | January 28, 2016 |
| March 25, 2013 | ₱0.065 | April 24, 2013 | May 19, 2013 |
| March 07, 2012 | ₱0.065 | April 24, 2012 | May 18, 2012 |

**4. Cash Dividends Declared After Balance Sheet Date**

| Date Approved | Per share | Stockholder of Record Date | Date of Payment |
|---|---|---|---|
| March 6, 2020 | ₱0.250 | April 3, 2020 | May 4, 2020 |

The cash dividends declared on March 6, 2020 was amended to 20% stock dividends on April 30, 2020 as stated above under item 2, *Stock Dividends Declared After Balance Sheet Date*.

**5. Restriction on Retained Earnings**

The retained earnings as of December 31, 2019 are restricted for dividend declaration for the portion equivalent to the following:

- Undistributed net earnings of subsidiaries and equity in net earnings of associates amounting to ₱1,667.4 million and ₱1,482.2 million as of December 31, 2019 and 2018, respectively.
- Cost of treasury shares amounting to ₱426.8 million and ₱176.2 million as of December 31, 2019 and 2018.
- Deferred income tax asset amounting to ₱51.9 million and ₱45.7 million as of December 31, 2019 and 2018, respectively.

**6. Appropriation of Retained Earnings**

*MAC*

On March 22, 2018, the Corporation's Board of Directors approved the reversal of the appropriation for mining development projects amounting to ₱393.1 million for the distribution of 30% stock dividends declared on the same date and approved by the stockholder during MAC's annual stockholders' meeting held on July 20, 2018. The appropriation for water projects was retained for the next few years, for investments in the Groupwide water related projects with periods ranging from two (2) to three (3) years.

On December 12, 2019, the Corporation's Board of Directors approved the reversal of the appropriation for water projects amounting to ₱300.0 million and appropriation of ₱850.0 million for various projects to be undertaken by the Group.

*MASCORP*

On March 20, 2018, MASCORP's Board of Directors approved the appropriation of another ₱50.0 million from the unrestricted retained earnings for the business expansion program which is expected to run for three (3) years effective December 31, 2017.

On December 6, 2018, MASCORP's Board of Directors approved the reversal of appropriated retained earnings of ₱30.0 million made on June 21, 2012 for business expansion. Further, the Company's BOD approved additional appropriation of ₱65.0 million of the unappropriated earnings for business expansion program which is expected to run for three years effective December 31, 2018.

On March 7, 2019 and July 11, 2019, the MASCORP's Board of Directors approved the additional appropriation of ₱50.0 million and ₱100.0 million, respectively from unrestricted retained

earnings for purposes of various investments to expand business of the Company which is expected to run for three (3) years effective December 31, 2019.

*MACS*

On December 6, 2019, the MACS' Board of Directors approved the release from appropriation of the ₱100.0 million appropriated in 2017 and 2016 for construction of an offsite commissary. Further, the Board of Directors approved the additional appropriation of ₱210.0 million for the construction of another offsite commissary, catering trucks, and facility equipment upgrade in the next two (2) years of the Corporation.

On November 28, 2018, the MACS' Board of Directors approved the additional appropriation of ₱55.0 million for the construction of the offsite commissary and equipment upgrade of the Company in the following year.

**B. Description of Registrant Securities**

MacroAsia Corporation has already issued 1,618,146,293 shares of stocks from the total authorized capital stock of 2,000,000,000.

On July 16, 2010, the Board of Directors approved a Share Buyback Program involving a total cash outlay of ₱50.0 million for the repurchase of the outstanding common shares of MacroAsia Corporation from the open market, using the trading facilities of the Philippine Stock Exchange (PSE). The Program did not involve any active or widespread solicitation for stockholders to sell. Repurchase of shares of stock was done during the period of the Program at such prices perceived by MacroAsia Corporation to be lower than the inherent value of the share. The Program will run until the ₱50 million authorized cash outlay is fully utilized or until such time that the BOD may direct, subject to appropriate disclosures to the PSE and the SEC.

On June 15 2017, the Board of Directors of MacroAsia Corporation approved to appropriate ₱210.0 million to buy back shares of MacroAsia Corporation at market price. The mechanics of this program was similar to the ₱50.0 million buyback program implemented in 2010. The Program commenced on June 20, 2017 and will run until the ₱210.0 million authorized cash outlay is fully utilized, or until such time that the Board of Directors of MacroAsia may direct, subject to appropriate disclosures to the PSE and the SEC.

On March 14, 2019, the Board of Directors approved the ₱200.0 million additional funding to the 2017 Share Buyback Program.

On March 6, 2020, the Board of Directors approved another ₱200.0 million additional funding to the 2017 Share Buyback Program.

As of December 31, 2019, the Company has reacquired 39,640,300 shares for ₱426,826,835

***Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction***

During the year, there were no sales of unregistered or exempt securities that constitute as exempt transactions.

***Voting and Preemption Rights***

All outstanding common shares of the Corporation as of the record date for the purpose of the Annual Stockholder's Meeting are entitled to one (1) vote per share.

A stockholder entitled to vote at the meeting shall have the right attend the meeting through remote communication and to vote *in absentia*or by proxy the number of shares registered in his name in the stock transfer book of the Corporation for as many persons as there are directors to be elected. Each stockholder shall have the right to cumulate said shares and give one nominee as many votes as the number of directors to be elected, multiplied by the number of his shares shall equal, or he may distribute them on the same cumulative voting principle among as many nominees as he shall see fit; provided, that the number of votes cast by a stockholder shall not exceed the number of his shares multiplied by the number of directors to be elected.

**MINUTES OF THE**
**ANNUAL STOCKHOLDERS' MEETING OF**
**MACROASIA CORPORATION**
Held on 19 July 2019 at 3:00 P.M.
at the Kachina Room, Century Park Hotel
599 Pablo Ocampo Sr. Street, 1004 Malate, Manila

| | **No. of Shares** |
|---|---|
| Total No. of Shares Present or Represented by Proxy | 1,157,018,266 shares |
| Total No. of Outstanding Shares (Net of Treasury Shares) | 1,583,898,993 shares |

## I. CALL TO ORDER

On behalf of the Corporation's Chairman and CEO, Dr. Lucio C. Tan, Mr. Lucio K. Tan, Jr. called the meeting to order and presided over the same. The Corporate Secretary, Mr. Florentino M. Herrera III, recorded the minutes of the meeting.

Mr. Tan stated that the 2018 Annual Report of the Corporation, with the theme "Set for Sustainable Growth", represents the state of the Corporation today. He thanked the stockholders for their continuing support and motivation in the Corporation's continued growth.

## II. CERTIFICATION OF NOTICE

Mr. Tan requested Mr. Herrera to show proof that the required notice of the meeting was duly sent to the stockholders.

Mr. Herrera stated that in accordance with the provisions of the Securities Regulation Code, written notice of the meeting was sent by mail and/or special messengerial service fifteen (15) business days prior to the date of the meeting to all stockholders of record as of 19 June 2019, the record date fixed by the Board of Directors of the Corporation for the meeting.

The Certification issued by Ms. Josephine E. Jolejole, First Vice-President of the Philippine National Bank Trust Banking Group, the Corporation's Stock Transfer Agent, is attached hereto as Annex "A".

Mr. Herrera thereafter certified that notice of the meeting was duly sent to the stockholders.

## III. CERTIFICATION OF QUORUM

Mr. Tan then requested Mr. Herrera to certify the existence of a quorum for the valid transaction of business at today's meeting.

Mr. Herrera stated that based on the attendance record and the proxies and/or powers of attorney on hand, stockholders owning One Billion One Hundred Fifty Seven Million Eighteen Thousand Two Hundred Sixty Six (1,157,018,266) shares representing 73.04% of the total outstanding shares of the Corporation were present or represented in the meeting.

Mr. Herrera stated that the proxy forms of Citibank, Standard Chartered Bank and Deutsche Bank AG Manila Branch have voting instructions on certain agenda items.

Mr. Herrera thereafter certified that a quorum existed for the valid transaction of business.

## IV. APPROVAL OF THE MINUTES OF THE 2018 ANNUAL STOCKHOLDERS' MEETING HELD ON 20 JULY 2018

Mr. Tan then proceeded to the next item in the Agenda, which pertains to the approval of the Minutes of the Annual Stockholders' Meeting ("ASM") held on 20 July 2018.

Mr. Maximo C. Flores moved for the approval of the Minutes of the ASM held on 20 July 2018. Mr. Cesar C. Garcia duly seconded the motion.

The Corporate Secretary was then instructed to reflect in the Minutes the votes cast, as follows:

| For | Against | Abstain |
|---|---|---|
| 1,153,132,566 | ---- | 3,885,700 |

## V. MANAGEMENT REPORT

Mr. Joseph T. Chua, President and Chief Operating Officer, reported on the results of operations of the Corporation and its subsidiaries and presented the Business Outlook for 2019. A copy of the President's Report is attached hereto as Annex "B".

The Corporation's Chief Financial Officer, Mr. Amador T. Sendin, thereafter presented the Financial Report for the year ended 31 December 2018. A copy of the Financial Report is attached hereto as Annex "C".

After presentation of the aforesaid reports, Mr. Tan opened the floor for questions or points of clarification from the stockholders.

Since no questions were raised, Mr. Garcia moved for the notation and approval of the Annual Report for 2018. Mr. Flores duly seconded the motion.

There being no objections, the motion was approved, as follows:

"**RESOLVED**, That the Corporation's Annual Report for 2018 be noted and approved."

The Corporate Secretary was then instructed to reflect in the Minutes that the motion was unanimously approved:

| For | Against | Abstain |
|---|---|---|
| 1,157,018,266 | ---- | ---- |

## VI. APPROVAL OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Mr. Tan presented for the approval of the stockholders the Audited Financial Statements of the Corporation for the year ended 31 December 2018.

Mr. Jose Norberto B. Sanchez moved for the approval of the Audited Financial Statements of the Corporation for the year ended 31 December 2018. Ms. Isabella P. Palma duly seconded the motion.

There being no objections, the motion was approved, as follows:

"**RESOLVED**, That the Audited Financial Statements of the Corporation for the year ending 31 December 2018 be, as it is hereby approved."

The Corporate Secretary was then instructed to reflect in the Minutes that the motion was unanimously approved:

| For | Against | Abstain |
|---|---|---|
| 1,157,018,266 | ---- | ---- |

## VII. AMENDMENT OF BY-LAWS TO CHANGE THE DATE OF THE ANNUAL STOCKHOLDERS' MEETING

Mr. Tan presented for the approval of the stockholders the amendment of the By-Laws of the Corporation to change the date of the Annual Stockholders' Meeting.

Mr. Tan then requested Mr. Herrera to explain this item to the stockholders.

Mr. Herrera informed the stockholders that the Board of Directors, during its meeting held on 14 March 2019, approved the amendment to Article II, Section 2.01 of the By-Laws of the Corporation to change the date of the Annual Stockholders' Meeting from "3rd Friday of July" to "2nd Friday of May".

Mr. Alfredo Abueg, Jr., a stockholder, inquired why the Annual Stockholder's Meeting was being moved to the 2nd Friday of May.

Mr. Sendin explained that the purpose of the earlier date of the Annual Stockholders' Meeting was to make the Annual Report more relevant to the stockholders. He explained that the Annual Report is submitted to the Securities and Exchange Commission on or before the 15th day of April every year. Thus, moving the date of the Annual Stockholders' Meeting closer to the date of submission of the Annual Report will be beneficial to the stockholders.

Mr. Abueg commented that most of the stockholders have investments in other listed companies. As such, he informed the Board of Directors that they will find it difficult to attend more than one stockholders' meeting in April and May.

He also commented that it would be more beneficial to the stockholders if, apart from mailing and posting the Annual Report on

the Corporation's website, actual hard copies should be given to the stockholders before the start of the meeting.

He thereafter congratulated the Board of Directors and Management for the Corporation's financial performance in the past two (2) years, and stated that the stockholders were looking forward to the continued growth of the Corporation.

Mr. Herrera, speaking on behalf of the Chairman of the meeting, stated that the Board would consider changing the date of the Annual Stockholders Meeting. As a compromise, instead of changing the date of the Annual Stockholders' Meeting to the 2nd Friday of May, the Board may consider changing it to the last Friday of May.

Consequently, the approval by the stockholders of the change in the date of the Annual Stockholders' Meeting was deferred.

## VIII. APPROVAL, CONFIRMATION AND RATIFICATION OF ALL ACTS, PROCEEDINGS AND RESOLUTIONS OF THE BOARD OF DIRECTORS AND MANAGEMENT

Mr. Tan then proceeded to the next item on the Agenda, which pertains to the approval, confirmation and ratification of all acts, proceedings and resolutions of the Board of Directors and Management of the Corporation since the last Annual Stockholders' Meeting held on 20 July 2018.

Mr. Garcia moved for the approval, confirmation and ratification of all acts, proceedings and resolutions of the Board of Directors and Management of the Corporation since the last Annual Stockholders' Meeting held on 20 July 2018. Mr. Sanchez duly seconded the motion.

There being no objections, the motion was approved, as follows:

> "**RESOLVED**, That all acts, proceedings and resolutions of the Board of Directors and of Management since the last Annual Stockholders' Meeting held on 20 July 2018 up to today's meeting be, as they are hereby approved, confirmed and ratified."

The Corporate Secretary was then instructed to reflect in the Minutes that the motion was unanimously approved:

| For | Against | Abstain |
|---|---|---|
| 1,157,018,266 | ---- | ---- |

## IX. ELECTION OF DIRECTORS

Mr. Tan stated that the Articles of Incorporation of the Corporation provides for eleven (11) directors. The Manual on Corporate Governance of the Corporation, on the other hand, provides that there shall be at least three (3) independent directors.

Mr. Tan then requested the Corporate Secretary to explain the procedure for the nomination and election of the directors.

Mr. Herrera explained that under the Corporation's By-Laws and Manual on Corporate Governance, the nomination of the Corporation's directors shall be conducted by the Corporate Governance Committee. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity of the would-be nominees and shall be submitted to the Corporate Governance Committee and the Corporate Secretary at least thirty (30) days before the date of the Annual Stockholders' Meeting.

The Corporate Governance Committee pre-screens the qualifications and thereafter prepares the Final List of Candidates. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as directors.

Mr. Herrera reported that the Corporate Governance Committee approved the following nominees for election as members of the Board of Directors of the Corporation for 2019-2020:

Dr. Lucio C. Tan
Carmen K. Tan
Lucio K. Tan, Jr.
Michael G. Tan
Joseph T. Chua
Vivienne K. Tan
Rex Vincent Young
Johnip G. Cua (Independent Director)
Ben C. Tiu (Independent Director)
Marixi R. Prieto (Independent Director)
Samuel C. Uy (Independent Director)

Upon motion made by Mr. Flores which was duly seconded by Mr. Sanchez, and taking into consideration the voting instructions received through proxy forms submitted to the Office of the Corporate Secretary, Mr. Tan declared the Eleven (11) nominees with the highest number of votes as the duly elected members of the Board of Directors until the election and qualification of their successors.

The Corporate Secretary was instructed to reflect in the Minutes the tabulation of votes, as follows:

| Nominees | For | Against |
|---|---|---|
| Dr. Lucio C. Tan | 1,141,207,641 | 15,810,625 |
| Carmen K. Tan | 1,142,966,891 | 14,051,375 |
| Lucio K. Tan, Jr. | 1,141,207,641 | 15,810,625 |
| Michael G. Tan | 1,141,207,641 | 15,810,625 |
| Joseph T. Chua | 1,150,336,526 | 6,681,740 |
| Vivienne K. Tan | 1,142,966,891 | 14,051,375 |
| Rex Vincent Young | 1,142,966,891 | 14,051,375 |
| Johnip G. Cua (Independent Director) | 1,149,648,631 | 7,369,635 |
| Ben C. Tiu (Independent Director) | 1,157,018,266 | ----- |
| Marixi R. Prieto (Independent Director) | 1,157,018,266 | ----- |
| Samuel C. Uy (Independent Director) | 1,157,018,266 | ----- |

## X. APPOINTMENT OF EXTERNAL AUDITOR

Mr. Tan then proceeded to the appointment of the external auditor of the Corporation for the ensuing year.

Mr. Tan stated that the Audit Committee recommended the reappointment of SGV & Co. as the external auditor of the Corporation for the ensuing year.

Mr. Baluca nominated SGV & Co. as the external auditor of the Corporation for the ensuing year and thereafter moved that the nomination be closed. Mr. Garcia duly seconded the nomination.

There being no objections, the Corporate Secretary was thereafter instructed to reflect in the Minutes that the reappointment of SGV was unanimously approved:

| For | Against | Abstain |
|---|---|---|
| 1,157,018,266 | ---- | ---- |

## XI. ADJOURNMENT

There being no other matters to discuss, upon motion made by Mr. Sanchez and duly seconded by Ms. Palma, the Annual Stockholders' Meeting was adjourned.

CERTIFIED CORRECT:

**FLORENTINO M. HERRERA III**
Corporate Secretary

**ATTEST:**

**LUCIO K. TAN, JR.**
Chairman of the Meeting

ashmin 071919
LTC 2019/MAC

**Annex "A"**

**Philippine National Bank**
**Trust Banking Group**
Trunk Lines: 526-3131 / 891-6040 local 2307

July 24, 2019

MACROASIA CORPORATION
12/F Allied Bank Center
6754 Ayala Avenue, Makati City

Attention : MR. AMADOR T. SENDIN
Chief Financial Officer
VP- Administration & Business Development

Gentlemen :

Relative to Annual Stockholders' Meeting of MacroAsia Corporation last July 19, 2019, we hereby certify that the CDs containing Shareholder Information package together with Proxy Form were sent to 123 stockholders and 118 PCD Beneficial Owners as of record date, June 21, 2019.

Very truly yours,

JOSEPHINE E. JOLEJOLE
First Vice-President

**Annex "B"**

**ANNUAL REPORT 2018**

***PRESIDENT AND COO's MESSAGE***

**Dear Stakeholders of MacroAsia,**

MacroAsia is set for sustainable growth! When I reviewed our quarterly results for the last four years up to the end of 2018, our thrust for expansion in our core businesses and new investments is paying off.

For the first time in our history, in the last quarter of 2018, our consolidated net revenues for 3 months breached the ₱1 billion level. Beyond this achievement, the current operating indicators point to sustainability and continuity of this revenue growth.

Our consolidated net revenues for 2018 was ₱3.6 billon, 23% higher than the ₱2.9 billion booked in 2017. However, 2018 net income was at ₱1.08 billon, only 2% higher though than the ₱1.06 billion in 2017. Our subsidiaries had to carry more costs on a temporary basis for our expansion activities that subsequently generated revenues after a few months. But more importantly, this operational expansion will benefit our financials in 2019 and beyond.

I cite the following key developments in 2018 that will have a long-term impact for our Group:

**1. Aircraft Maintenance, Repair and Overhaul (MRO)**

As Lufthansa Technik Philippines (LTP) celebrated its 18th year of operations in 2018, LTP started planning for a new hangar facility in the MacroAsia Special Ecozone in NAIA, for both its base and line maintenance business. As this hangar will have the size of an A380 hangar, it will be able to accommodate multiple aircrafts at the same time.

In 2018, LTP also set up line maintenance stations in Kalibo and Puerto Princesa, further complementing its presence in NAIA, Clark, Cebu and Davao.

Aside from British Airways and Qantas, LTP also secured in 2018, new long-term contracts for A380 repairs for Korean Air, Asiana Airlines and Lufthansa spanning 3 to 10 years.

In 2018, PAL strengthened its partnership with LTP, as PAL expanded its decade-long line maintenance contract to cover new planes like the A350 and A321neo.

LTP also became the sole MRO provider for the Airbus fleet of PAL Express, starting August 2018. LTP took over the line maintenance servicing for the 12 Airbus A320s of PALEx in 2018.

## 2. Catering

MacroAsia Catering (MACS) gained 3 new clients in 2018, bringing its roster of foreign airline clients to 18. Two new clients were gained from a catering competitor while the third client is a new airline flying into NAIA.

In 2018, MACS started work to secure Philippine Airlines and Cebu Pacific as key catering accounts. These accounts will almost double the catering revenues of MACS, as they are set to be serviced in early 2019.

A new subsidiary, MacroAsia SATS Food Services, Inc., will operate a new commissary located in Muntinlupa City. This food production facility has a footprint of 7,706 square meters, with a design capacity of 25,000 meals per day. This will serve mostly the requirements of institutional clients or non-airline accounts, including quick-service restaurants, banks, BPOs and others.

## 3. Ground Handling

Before 2017, MacroAsia Airport Services (MASCORP) was present in 7 airport locations. By end of 2018, MASCORP is entrenched in 32 airport locations all over the Philippines. Today, MASCORP is the biggest groundhandling company in the country, in terms of manpower, flights and stations handled.

In 2018, MASCORP acquired 9 new clients, 8 of which came from a competitor whose concession ended during the year. With the growth in stations and account portfolio, MASCORP posted revenues of ₱1.4 billion, a 40% increase from 2017.

By the end of 2018, MASCORP started preparations to fully become the sole groundhandling company of PAL and PALEx in NAIA and Cebu, with full transition being targeted during the first quarter of 2019.

## 4. Water Businesses

MacroAsia started its water concessions only in March 2016. By end of 2018, MacroAsia already has water operations in Nueva Vizcaya, Cavite, Boracay Island, Bulacan, Albay and Iloilo through various subsidiaries and an associated company.

In 2018, operations in Boracay Island through our subsidiary, Boracay Tubi (BTSI), was affected by the government's order to close the island for tourism from April until October 2018. When the island was reopened, we were able to gain market share from our competitor. BTSI was able to sign long-term supply contracts with many hotels, to include the operations and maintenance of their sewage treatment plants. During the closure of the island, the government mandated that hotels with 40 rooms and up should treat their wastewater at source

by constructing their own individual STPs. BTSI was able to help build more than 70 STPs for various clients in 2018.

In October 2018, MacroAsia acquired 60% of Summa Water Resources, Inc., an Original Equipment Manufacturer (OEM) supplying a full line of standard and fully customizable water and wastewater treatment systems using membrane technologies like Ultrafiltration and Reverse Osmosis Systems. This company also operates and manages Bulk Water Projects in Bulacan, Albay and Iloilo.

This company is now building the water treatment plant for MacroAsia's Maragondon Bulk Water Project in Cavite.

Considering the opportunities that abound, we envision to grow further our water businesses with the mindset to eventually spin off and list this segment separately at the Philippine Stock Exchange within three years.

In the meantime, these water businesses will provide the diversification needed to boost MacroAsia's growth outside of the aviation sector. Together with the aviation businesses, we foresee a strong base to generate shareholder value.

***Business Outlook In 2019***

Overall, tourism will continue to be vibrant, as more travelers are benefitting from prevailing competitive fare offerings of airlines. More concretely, with our operating developments as reported, we are optimistic and excited in 2019.

Airline catering and ground handling revenues will grow in unprecedented levels, considering the new clients that were secured. Our MRO business will also see growth in revenues due to the new contracts that were signed. Our revenues from the water businesses will similarly expand, because of the bigger account portfolio that we gained in several provinces.

***Our Sense of Commitment and Gratitude***

Our operating teams have consistently strived to serve professionally and passionately, often exceeding service standards to our customers' delight. Our passion to generate value for our stakeholders runs high.

With the support of our shareholders, we have marched onwards to face the operating challenges, 24/7.

On behalf of management and our teams, I thank our shareholders and the investing public for inspiring us to give our best always.

Sincerely yours,

**Joseph T. Chua**
President and COO

**CFO's Message**

Good afternoon ladies and gentlemen.

Our consolidated revenues in 2018 grew by 23% to ₱3.6 billion, coming from ₱2.9 billion in 2017. Consolidated net income for 2018 was ₱1.083 billion, only 2% higher than the ₱1.063 billion in 2017. Our 2018 costs grew fast, driven by rapid business expansion but also pressed at the same time by higher prices and commodity supply issues in 2018. In the 3rd quarter of 2018, we saw inflation range from 6.4% to 6.7%, as our teams also had to contend with high prices and shortage of items like fruits, veggies and other commodities brought about by weather disturbances, manufacturing or supply chain woes.

Our inflight kitchen unit in NAIA booked revenues that comprise 46% of our total consolidated revenues. With majority of the foreign airlines in NAIA as part of the client porfolio, MacroAsia Catering revenues grew by 8%, from ₱1.54 billion in 2017 to ₱1.66 billion, out of 3.6 million meals delivered to these clients in 2018. Our drive to get new clients last year was tempered by physical facility constraints, as meal production had already exceeded the design capacity of our NAIA kitchen.

The revenues from ground-handling and aviation services comprise 41% of our consolidated revenues. Our ground handling activities generated ₱1.46 billion, a 41% increase from ₱1.03 billion in 2017. MacroAsia Airport Services, our ground handling unit, gained 8 new airline clients last year, and has established its presence in 32 airport stations in 2018, 3 more from the 29 stations in 2017.

Revenues from water operations which contributed 8% of the total consolidated revenues increased by 90%, from ₱142.65 million in 2017 to ₱271.04 million in 2018. While our subsidiary Boracay Tubi was impacted by the closure of Boracay Island from April to October last year, our other water companies like Naic Water, Solano Water and our newly acquired subsidiary, Summa Water drove this revenue growth.

Total direct costs in 2018 amounted to ₱2.77 billion, posting an increase of ₱620.41 million (+29%) from 2017. We saw higher labor costs in our groundhandling and catering subsidiaries, driven by higher staff numbers and wage increases. The construction costs of sewage treatment plants or STPs by Boracay Tubi also accounted for significant direct cost increases.

Consolidated operating expenses grew by ₱109.39 million (+18%) from last year's ₱ 614.51 million due to higher personnel costs of indirect staff, start-up costs for new projects, and higher taxes due to more business activities and the Train Law changes on certain tax rates.

Share in net income of associates amounting to ₱1,059.23 million increased by ₱ 91.29 (+9%) million, representing MAC's share in the net operating result of its associates (Lufthansa Technik Philippines (LTP, 49% MAC) and Cebu Pacific Catering Services (CPCS, 40% MAC).

For 2018, LTP registered a net income of ₱2.06 billion from which we share 49% or ₱ 1,011.68 million. In 2017, MAC's share in LTP's income is ₱928.40 million, out of ₱ 1.90 billion. CPCS - our catering associate in Cebu, reflected a 20% increase in its net earnings. MAC booked its 40% net income share in CPCS at ₱47.55 million, compared to last year's ₱39.54 million.

The interest income of ₱11.08 million pertain to income earned from short-term investments. Financing charges increased from ₱9.39 million in 2017 to ₱26.45 million in 2018, aligned with the increase in notes payable of the Group. Other income and charges is higher at ₱57.18 million against the ₱44.29 million in 2017 mainly due to foreign exchange gains.

**Financial Position**

As of December 31, 2018, our consolidated total assets stood at ₱8.16 billion, posting a ₱1.66 billion increase (+26%) from last year's ₱6.50 billion.

Cash and cash equivalents stood at ₱675.20 million, ₱238.00 million (-26%) lower than 2017 because cash was used to start new companies and expand the operations of MASCORP and BTSI. The Group sees no liquidity issues, as the cash balances of the operating subsidiaries continue to increase from robust operating cash inflows.

Receivables at ₱900.42 million grew by ₱202.60 million (+29%) due to the expansion of our operations and client portfolio. We foresee no collection issues for this account.

Investments in associates are accounted for under the equity method of accounting. This account posted an increase of ₱449.47 million (+22%), from ₱2.07 billion in 2017 to ₱2.51 billion in 2018.

The group's property and equipment is booked at ₱2.06 billion, an increase of ₱ 914.01 million from last year's ₱1.15 billion due to new acquisitions made by our subsidiaries.

Looking at the mix of our assets, liabilities and equity, we assess that our Group has a strong balance sheet, with no liquidity issues foreseen on the short-term, despite robust expansion programs that are underway in our catering, ground handling and water concession units.

**Buyback Program**

On June 15, 2017, our Board allocated ₱210 million for a share buyback program, of which we used ₱126.80 million to buyback 10,198,700 shares. As of December 31, 2018, we have 26,794,700 treasury shares, costing on the average ₱6.58 per share.

**Dividends**
On March 22, 2018, the Board of Directors approved the declaration of 30% stock dividends equivalent to 368,146,293 shares that was paid last September 12, 2018 to stockholders of record as of August 17, 2018. The stock dividend declaration was approved by the shareholders in its Annual Shareholders' Meeting held on July 20, 2018.

**2019 Outlook**
We reported our first quarter 2019 consolidated net income at ₱215 million, 8% lower than the ₱233 million booked in the first quarter 2018. This may appear disappointing to many, because our 1st quarter revenues at ₱1.06 billion was 33% higher than the 1st quarter revenues in 2018. However, we assured the investing public that our 1st quarter operations had front-loaded startup costs for massive revenue and income growth in our catering and ground handling businesses, new pilot school, and new food commissary in Muntinlupa City.

By now, as we are closing our 2nd quarter report, we see a 100% revenue growth in our 2019 Q2 revenues compared to Q2 last year, effectively offsetting the Q1 net income downturn. Although we have yet to finalize our 6-month closing, preliminary results indicate that our YTD net income in 2019 is at least 10% higher than same period last year, in line with our expectations.

The target of our operating teams is to collectively grow net income within the range of 20% year-on-year, plus or minus 3%. With the operating indicators at hand, and barring unforeseen severe events that will impact negatively in our operations in the coming months, we believe that 2019 will be a year that we will be within such target range of net income growth.

We thank you for supporting the MacroAsia team to grow further.

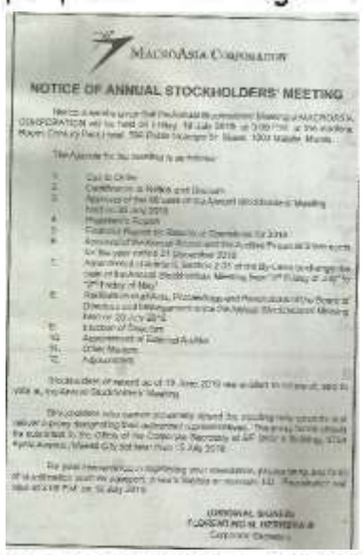
REPUBLIC OF THE PHILIPPINES ) s.s.
QUEZON CITY )

## AFFIDAVIT OF PUBLICATION

I, **EMMA V. DOROTEO**, of legal age, single, Filipino and with office address at c/o **PhilSTAR Daily, Inc.**, 202 Railroad Street corner Roberto S. Oca Street, Port Area, Manila, after being duly sworn to in accordance with law, depose and state:

That I am the **BILLING & COLLECTION MANAGER** of the **PhilSTAR Daily, Inc.** a domestic corporation duly organized and existing under by virtue of Philippine laws with office and business address at 202 Railroad Street corner Roberto S. Oca Street, Port Area, Manila.

That the said corporation publishes **THE PHILIPPINE STAR**, a daily broadsheet newspaper published in English and of general circulation.


MACROASIA CORPORATION

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

That the order of _____

**Macroasia Corporation**

captioned as follows: _____

**Notice of Stockholders Meeting**

Please see attached printed text which had been published in **The Philippine STAR** in its issues of: _____

**June 27, 2019**

FURTHER AFFIANT SAYETH NAUGHT.
QUEZON City, Philippines

Emma V. Doroteo
**EMMA V. DOROTEO**
Affiant

SUBSCRIBED AND SWORN to before me this _____ day of JUN 30 2019 2019 affiant exhibited to me her Unified Multi-Purpose ID (UMID) CRN No. 0003-8049504-7.

GARY A. SANCIO
Notary Public
Until December 31, 2020
Adm. Matter No. NP-020(2019-2020)
Roll No. 44261
IBP No. 1052447/06-30-17/Q.C.(LIFETIME)
PTR No. 7325029/01-04-19/Q.C.

Doc. No. 104
Page No. 22
Book No. 3
Series of 2019

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JOHNIP G. CUA,** Filipino, of legal age and residing at 19 Warbler Street, Greenmeadows Subdivision, Quezon City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of **MACROASIA CORPORATION**, and have been its independent director since 2006.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

| COMPANY/ORGANIZATION | POSITION/RELATIONSHIP | PERIOD OF SERVICE |
|---|---|---|
| Taibrews Corporation | Chairman & President | 2011 to Present |
| P&Gers Fund Inc. | Chairman | 2009 to Present |
| Xavier School Inc. | Chairman | Nov 2012 to Present |
| Xavier School Educational & Trust Fund | Trustee | 1996 to Present |
| Century Pacific Food Inc. | Independent Director | Jan 2014 to Present |
| Philippine Airlines Inc. | Independent Director | Oct 2014 to Present |
| PAL Holdings Inc. | Independent Director | Oct 2014 to Present |
| BDO Private Bank Inc. | Independent Director | 2008 to Present |
| MacroAsia Catering Services Inc. | Independent Director | 2007 to Present |
| MacroAsia Airport Services Corp. | Independent Director | 2007 to Present |
| MacroAsia Properties Development Corp. | Independent Director | Jan 2013 to Present |
| Eton Properties Philippines, Inc. | Independent Director | May 2014 to Present |
| PhilPlans First Inc. | Independent Director | 2009 to Present |
| LT Group Inc. | Independent Director | May 2018 to Present |
| Alpha Alleanza Manufacturing Inc. | Director | 2008 to Present |
| Interbake Marketing Corporation | Director | 1991 to Present |
| Teambake Marketing Corporation | Director | 1994 to Present |
| Lartizan Corporation | Director | 2007 to Present |
| Zenori Corporation | Director | 2018 to Present |
| Allied Botanical Corporation | Independent Director | 2012 to Present |
| MGCC Foundation Inc. | Trustee | 2015 to Present |
| First Aviation Academy Inc. | Independent Director | 2017 to Present |
| ALI Eton Property Development Corp. | Independent Director | July 2018 to Present |

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of MACROASIA CORPORATION as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of MACROASIA CORPORATION and its subsidiaries, 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 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 MACROASIA CORPORATION of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this JUN 0 9 2020 day of _____, at MAKATI CITY.

**JOHNIP G. CUA**
Affiant

SUBSCRIBED AND SWORN to before me this JUN 0 9 2020 day of _____ at MAKATI CITY, affiant personally appeared before me and exhibited to me his Passport No. P2663563B issued at the Department of Foreign Affairs NCR East on July 27, 2019.

Doc. No. 255.
Page No. 51.
Book No. CXV.
Series of 2020.

Julie O. Cua
Notary Public for Makati City
Roll of Attorneys No. 35358
PTR No. 8117121/1-2-2020
IBP Lifetime Member No. 00104
6/F 6754 Ayala Avenue, Makati City
MCLE Compliance No. VI-0017668/01-31-2019
Commission No. M-114 until 31 December 202

# CERTIFICATION OF INDEPENDENT DIRECTOR

I, Ben C. Tiu, Filipino, of legal age and a resident of 2nd Floor W Tower Condominium, 39th Street, BGC, Taguig, Philippines after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of Macroasia Corporation, and have been its independent director since 2013.

2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):

| Company /Organization | Position/Relationship | Period of Service |
|---|---|---|
| Fidelity Securities | Chairman of the Board | 1993- present |
| Tera Investments, Inc | Chairman of the Board | 2001-present |
| TKC Metals Corporation | Chairman of the Board | 2007- present |
| Treasure Steelworks Corporation | Chairman of the Board | 2005 - present |
| BRJ Trading<br>JTKC Equities Inc<br>JTKC Lesiure Group<br>Iremit Inc. | Chairman and President<br>Chairman and President<br>Executive Vice President<br>Independent Director | 1988- present<br>1993- present<br>1998- present<br>2006- present |

3. I possess all the qualification and none of the disqualification to serve as an Independent Director of Macroasia Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulation and other SEC issuances.

4. I am not related to the following director/officer/substantial shareholder of (covered company 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 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 Macroasia Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this 04 day of June 2020 at Taguig.

Affiant

SUBSCRIBED AND SWORN to before me on JUN 04 2020 in Makati City, affiant having exhibiting to me his/her TIN 101-357-103

Julie O. Cua
Notary Public for Makati City
Roll of Attorneys No. 35358
PTR No. 8117121/1-2-2020
IBP Lifetime Member No. 00104
6/F 6754 Ayala Avenue, Makati City
MCLE Compliance No. VI-0017668/01-31-2019
Commission No. M-114 until 31 December 2020

Doc. No. 162;
Page No. 33;
Book No. CIV;
Series of 2020

# CERTIFICATION OF INDEPENDENT DIRECTOR

I, MARIXI R. PRIETO, Filipino, of legal age and a resident of #36 Cruzadas St. Urdaneta Village, Makati City after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of MacroAsia Corporation, and have been its independent director since 2015 (where applicable).

2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):

| Company /Organization | Position/Relationship | Period of Service |
|---|---|---|
| Philippine Daily Inquirer | Director | 30 years |
| Bataan, 2020, Inc. | Chairman of the Board | 25 years |
| Corinthian Commercial Corp. | Treasurer | 40 years |
| Printown Group of Companies | Director | 25 years |
| | | |

3. I possess all the qualification and none of the disqualification to serve as an Independent Director of MacroAsia Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulation and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities
Regulation Code. (where applicable)

| Name of Director/Officer/Substantial Shareholder | Company | Nature of Relationship |
|---|---|---|
| CARLOS S. RUFINO | Net Group of Companies | Brother |
| MA. ALEXANDRA P. ROMUALDEZ | INQUIRER | DAUGHTER |
| ALFRED HUANG | BATAAN 2020, INC. | Business Partner |
| | | |

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal / administrative investigation or proceedings ( as the case may be):

| Offense Charged/ Investigated | Tribunal or Agency involved | Status |
|---|---|---|
| | | |
| | | |
| | | |
| | | |
| | | |

6. (For those in government service /affiliated with a government agency or (GOCC) I have the required written permission or consent from the (head of the agency/department) to be an

independent director in _____, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the corporate secretary of MacroAsia Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this JUN 0 9 2020 day of _____ 2020 at MAKATI CITY.

MARIXI R. PRIETO
Affiant

SUBSCRIBE AND SWORN to before me this JUN 0 9 2020 day of _____ 2020 at MAKATI CITY affiant personally appeared before me and exhibited to me his/her Passport No. P1976348A issued at Department of Foreign Affairs Manila on 20 FEB, 2017.

Doc No. 254;
Page No. 51;
Book No. CIV;
Series of 2020.

Julie O. Cua
Notary Public for Makati City
Roll of Attorneys No. 35358
PTR No. 8117121/1-2-2020
IBP Lifetime Member No. 00104
6/F 6754 Ayala Avenue, Makati City
MCLE Compliance No. VI-0017668/01-31-2019
Commission No. M-114 until 31 December 202

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, Samuel C. Uy Filipino, of legal age and a resident of Davao City, Philippines, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of MacroAsia Corporation, and have been its Independent Director since 2018.

2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):

| Company/ Organization | Position/Relationship | Period of Service |
|---|---|---|
| Ricardo Limso Medical Center | President & Administrator | Since 2004 |
| 3S Realty Corporation | President and CEO | Since 2007 |
| Toril Sports Complex | President and CEO | Since 2013 |
| Kaunlaran Development Corporation | President | Since 1986 |
| Davao Farms Incorporated | President | Since 1986 |
| Dimdi Center, Inc. | Vice President | Since 1986 |
| Philippines Airlines, Inc. | Independent Director | Since 2018 |
| Asaje Realty Corp. | Treasurer | Since 2020 |
| Asaje Hotels | Vice President | Since 2020 |

3. I possess all the qualification and none of the disqualification to serve as an Independent Director of MacroAsia Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulation and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities
Regulation Code. (where applicable)

| Name of Director/Officer/Substantial Shareholder | Company | Nature of Relationship |
|---|---|---|
| N/A | N/A | N/A |
| | | |
| | | |
| | | |

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal / administrative investigation or proceedings ( as the case may be):

| Offense Charged/ Investigated | Tribunal or Agency involved | Status |
|---|---|---|
| N/A | N/A | N/A |
| | | |
| | | |
| | | |
| | | |

6. (For those in government service /affiliated with a government agency or (GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in MacroAsia Corporation, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the corporate secretary of MacroAsia Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this __ day of JUN 09 2020 2020 at MAKATI CITY.

Samuel C. Uy

SUBSCRIBE AND SWORN to before me this _____ day of JUN 09 2020 2019 at MAKATI CITY affiant personally appeared before me and exhibited to me his TIN ID 105-313-197.

Doc No. 258;
Page No. 52;
Book No. CLV;
Series of 2020;

Julie O. Cua
Notary Public for Makati City
Roll of Attorneys No. 35358
PTR No. 8117121/1-2-2020
IBP Lifetime Member No. 00104
6/F 6754 Ayala Avenue, Makati City
MCLE Compliance No. VI-0017668/01-31-2019
Commission No. M-114 until 31 December 202(

# SECRETARY'S CERTIFICATE

I, **FLORENTINO M. HERRERA III**, of legal age, Filipino, with office address at 5th Floor SGV II Building, 6758 Ayala Avenue, Makati City, after being duly sworn to in accordance with law, depose and state that:

1. I am the Corporate Secretary of **MACROASIA CORPORATION** (the "Corporation"), a corporation duly organized and existing under and by virtue of Philippine laws with principal office address at 12/F PNB Allied Bank Center, 6754 Ayala Avenue, Makati City.

2. I hereby certify that no director or officer of the Corporation is connected with any government agency or instrumentality.

3. The foregoing information is in accordance with the records of the Corporation in my possession.

**IN WITNESS WHEREOF**, I have hereunto affixed my signature this 11th day of June 2020 at Makati City.

**FLORENTINO M. HERRERA III**
Corporate Secretary

**REPUBLIC OF THE PHILIPPINES)**
**MAKATI CITY )SS.**

**SUBSCRIBED AND SWORN** to before me this 11th day of June 2020 at Makati City, affiant exhibited to me his Republic of the Philippines Passport No. P2337037B issued on 26 June 2019 at DFA NCR East.

Doc. No. 96;
Page No. 21;
Book No. V;
Series of 2020.

ATTY. VINCE ALVIN L. MONTEALTO
NOTARY PUBLIC
ROLL NO. 73406
MAKATI CITY, PHILIPPINES

**VINCE ALVIN L. MONTEALTO**
Notary Public for Makati City
Appointment No. M-174
Until 31 December 2021
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 73406
PTR No. 8116685 / Makati / 02 January 2020
IBP No. 096438 / Makati / 04 December 2019

**GUIDELINES FOR PARTICIPATING VIA REMOTE COMMUNICATION AND VOTING *IN ABSENTIA***

The 2020 Annual Stockholders 'Meeting (ASM) of MacroAsia Corporation (the "Corporation") will be held on July 17, 2020 at 3:00 P.M. The Board of Directors of the Corporation has fixed the record date on June 17, 2020 for the determination of stockholders entitled to the notice of, to attend, and to vote at the ASM and any adjournment thereof.

The Board of Directors of the Corporation has approved and authorized stockholders to participate in the ASM via remote communication and to exercise their right to vote *in absentia* or by proxy. This is in view of the community quarantine currently implemented in various areas of the country and in consideration of health and safety concerns of everyone involved.

**REGISTRATION**

The Annual Stockholders' Meeting will be streamed live.

Stockholders who wish to attend the ASM through remote communication must register on or before July 8, 2020 through the webpage portal available at http://www.macroasiacorp.com/asm.

Stockholders intending to vote by proxy must also register through the webpage portal at http://www.macroasiacorp.com/asm and submit their duly accomplished proxy forms via email to macasm@macroasiacorp.com, not later than 3 July 2020.

For registration purposes, the link will require stockholders to upload the following requirements and documents, subject to verification and validation:

1. Individual Stockholders
    - 1.1. Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver's license, SSS ID, senior citizen ID, among others in order to validate the registration of the stockholder
    - 1.2. Active e-mail address/es
    - 1.3. Active contact number/s, with area and country codes

2. Multiple Stockholders or with joint accounts
    - 2.1. Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver's license, SSS ID, senior citizen ID, among others in order to validate the registration of the stockholders
    - 2.2. Active e-mail addresses of the stockholders
    - 2.3. Active contact numbers, with area and country codes
    - 2.4. Digital copy of an authorization letter executed by all named holders, authorizing a holder to vote for and on behalf of the account

3. Corporate Stockholders
    - 3.1. Digital copy of the Secretary's Certificate (or equivalent for non-resident) attesting to the authority of the representative to vote for and on behalf of the corporation
    - 3.2. Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver's license, SSS ID,

senior citizen ID, among others to validate the registration of the authorized representative

3.3. Active e-mail address/es of the authorized representative

3.4. Active contact number of an authorized representative, with area and country codes

4. PCD Participants/Brokers

4.1. Digital copy of the Secretary's Certificate (or equivalent for non-resident) attesting to the authority of the representative to vote for and on behalf of the PCD participant/broker

4.2. Digital copy of the certificate of shareholdings issued by the PCD/broker

4.3. Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver's license, SSS ID, senior citizen ID, among others to validate the registration of the authorized representative

4.4. Active e-mail address/es of the authorized representative

4.5. Active contact number of the authorized representative, with area and country codes

The documents will be validated by the Office of the Corporate Secretary, in coordination with PNB Trust, the Stock and Transfer Agent of the Corporation. Successfully registered stockholders will receive an email containing a link to the voting portal, log-in details, and other relevant information and instructions.

**ONLINE VOTING**

1. **Online voting must be completed on or before July 10, 2020.**
2. A successfully registered stockholder may access the voting portal through the link and using the log-in details emailed to them.
3. Upon accessing the portal, the stockholder can vote on each agenda item. A brief description of each item for stockholders' approval will be appended to the Notice of Meeting.

   3.1 A stockholder has the option to vote "For", "No", or "Abstain" on each agenda item for approval.

   3.2 For the election of directors, the stockholder has the option to vote for all nominees, withhold vote for any of the nominees, or vote for certain nominees only.

   *Note: A stockholder may vote such number of his/her shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast shall not exceed the number of shares owned by the stockholder.*

4. Once the stockholder has finalized his vote, he can proceed to submit his vote by clicking the "Submit" button. The stockholder cannot change and re-submit votes.

5. The Office of the Corporate Secretary shall tabulate all votes cast *in absentia*. SGV, as the external auditor of the Corporation, will validate the results.

6. Stockholders who register and vote on the website for voting *in absentia* are hereby deemed to have given their consent to the collection, use, storing, and processing of their personal data by the Corporation and any other relevant third party for the purpose of electronic voting *in absentia* during the Annual Stockholders' Meeting. Kindly refer to the attached Annual Stockholders' Meeting Privacy Statement.

**ASM LIVESTREAM**

The ASM will be broadcasted live and stockholders who have successfully registered will be provided access to participate via remote communication. Instructions on how to access the livestream will be posted at http://www.macroasiacorp.com/asm.

Pursuant to SEC Memorandum Circular No. 6, Series of 2020, please be informed that there will be an audio and video recording of the ASM, and will be made available to participating stockholders upon request.

**OPEN FORUM**

During the virtual meeting, the Corporation will have an Open Forum, during which, the meeting's moderator will read queries submitted by the stockholders in advance. Representatives of the Corporation shall endeavor to answer as many of the questions and comments received from stockholders as time will allow.

Stockholders should send their questions in advance by clicking the **Queries** tab found in the Annual Stockholder's Meeting page (http://www.macroasiacorp.com/asm) not later than July 10, 2020.

Questions/comments received but not entertained during the Open Forum due to time constraints will be addressed separately by the Corporation's Investor Relations Officer.

***For any concerns, please contact the Corporation's Investor Relations Department at (+632) 8840-2001 local 219 or via email at macasm@macroasiacorp.com.***

***For complete information on the 2020 Annual Stockholders' Meeting, please visit http://www.macroasiacorp.com/asm.***

MACROASIA CORPORATION

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of MacroAsia Corporation and its Subsidiaries (collectively referred to as "the Company") 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 and for each of the three years in the period ended December 31, 2019, 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 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.

SyCip Gorres Velayo & Co., the independent auditor 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.

**Dr. Lucio Tan**
Chairman of the Board and Chief Executive Officer

**Joseph T. Chua**
President and Chief Operating Officer

**Amador T. Sendin**
Chief Financial Officer

Signed this 6th day of March 2020

Subscribed and sworn to before me this MAR 0 6 2020 day of MAKATI CITY, affiants exhibiting to me his/her Tax Identification Number, as follows:

| NAMES | T. I. N. |
|---|---|
| LUCIO C. TAN | 101-914-722 |
| JOSEPH T. CHUA | 168-487-675 |
| AMADOR T. SENDIN | 135-963-712 |

Doc. No. 60
Page No. 13
Book No. CII
Series of 2020

Julie O. Cua
Notary Public for Makati City
Roll of Attorneys No. 35358
PTR No. 8117121/1-2-2020
IBP Lifetime Member No. 00104
6/F 6754 Ayala Avenue, Makati City
MCLE Compliance No. VI-0017668/01-31-2019
Commission No. M-114 until 31 December 2020

# COVER SHEET

## for

## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| 4 | 0 | 5 | 2 | 4 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|

**COMPANY NAME**

| M | A | C | R | O | A | S | I | A | | C | O | R | P | O | R | A | T | I | O | N | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A | N | D | | S | U | B | S | I | D | I | A | R | I | E | S | | | | | | | | | | | | | | | |
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**PRINCIPAL OFFICE** *( No. / Street / Barangay / City / Town / Province )*

| 1 | 2 | t | h | | F | l | o | o | r | , | | P | N | B | | A | l | l | i | e | d | | B | a | n | k | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| C | e | n | t | e | r | , | | 6 | 7 | 5 | 4 | | A | y | a | l | a | | A | v | e | n | u | e | , | | | | |
| M | a | k | a | t | i | | C | i | t | y | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| A A C F S | M S R D | N / A |

**COMPANY INFORMATION**

| Company's Email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| info@macroasiacorp.com | (02) 8840-2001 | N/A |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 845 | July 17 | December 31 |

**CONTACT PERSON INFORMATION**

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

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| Amador T. Sendin | atsendin@macroasiacorp.com | (02) 8840-2001 | n/a |

**CONTACT PERSON's ADDRESS**

**12th Floor, PNB Allied Bank Center, 6754 Ayala Avenue, Makati City**

***NOTE 1 :*** *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

***2 :*** *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

# INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
MacroAsia Corporation
12th Floor, PNB Allied Bank Center
6754 Ayala Avenue, Makati City

## Opinion

We have audited the consolidated financial statements of MacroAsia Corporation (the Company) and its subsidiaries (collectively as the Group), which comprise the consolidated balance sheets as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## Basis for Opinion

We conducted our audits 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Emphasis of Matter

We draw attention to Note 35 to the consolidated financial statements which indicates that subsequent to December 31, 2019, the Philippine Government implemented travel ban to/from high-risk countries severely affected by Coronavirus Disease 2019 ("COVID-19") which affected the Group's catering and groundhandling services to airlines with flights to/from these countries. As disclosed in Note 35 to the consolidated financial statements, no adjustments have been made to the consolidated financial statements as of and for the year ended December 31, 2019 for the impacts of COVID-19. Our opinion is not modified in respect of this matter.

**Key Audit Matters**

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

***Revenue Recognition***

The Group's revenue from inflight and other catering services, ground handling and aviation, water, and other services amounted to ₱2,905.5 million, ₱2,869.6 million, ₱347.6 million and ₱45.2 million, comprise 47%, 47%, 5% and 1%, respectively, of the Group's total consolidated revenues for the year ended December 31, 2019. We considered revenue recognition as a key audit matter because of the significant amount and volume of transactions being processed, transactions with service agreements having multiple elements, and risk of recognizing revenue in the improper period. Further, the Group has a number of revenue streams, which required a Group-wide assessment of contracts.

Refer to Notes 2 and 3 to the consolidated financial statements for the relevant discussion of accounting policy and a discussion of significant judgments and accounting estimates, and Note 19 to the consolidated financial statements for the discussions on revenue.

*Audit Response*

We obtained and updated our understanding of the Group's revenue recognition process, the relevant controls, and the related information system, including the determination of revenue adjustments. On a sampling basis, we compared the recorded revenue during the year to new and existing contracts and reviewed whether it is recognized and measured in accordance with PFRS 15, *Revenue from Contracts with Customers*. We tested the operation of key controls, including the precision set by management when performing controls involving the review of reports and data. We also reviewed sample manual journal entries related to revenue and inspected the underlying documentation. On a sampling basis, we also obtained and compared the details of discounts and allowances to the amounts recorded in the Group's revenue information system and to documents such as contracts with customers, reconciliation of billings and collections with customers, and other memorandum adjustments.

***Recoverability of Trade Receivables from Related Parties***

As of December 31, 2019, the Group's trade receivables from related parties amounting to ₱1,175.0 million, net of allowance for estimated credit losses of ₱4.4 million, account for 61% of the total receivables and contract assets of the Group. The related party which comprises the significant portion of the Group's total receivable has been incurring losses resulting to a deficit and a negative working capital. The Group applies simplified approach in calculating expected credit loss (ECL).

Under this approach, the Group establishes a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment.

We considered the recoverability of trade receivables from related parties as a key audit matter because the use of the ECL model involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures; defining default; and incorporating forward-looking information in calculating ECL.

Refer to Notes 2 and 3 to the consolidated financial statements for the relevant discussion of accounting policies and significant accounting judgments, and Notes 6 and 18 to the consolidated financial statements for the details of trade receivables from related parties and allowance for credit losses on trade receivables from related parties.

*Audit Response*

We obtained and updated our understanding of the methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9, *Financial Instruments*, to reflect an unbiased and probability-weighted outcome and the best available forward-looking information. We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default against historical analysis of trade receivables from related parties and credit risk management policies and practices in place; (c) tested historical loss rates of trade receivables from related parties by inspecting historical recoveries and write-offs; (d) checked the classification of outstanding exposures to their corresponding aging buckets; and (e) checked the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios and industry practices.

Further, on a sampling basis, we checked the data used in the ECL models, such as the historical aging analysis and default and recovery data by reconciling the billings and invoices to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We also recalculated impairment provisions on a sample basis.

***Accounting for the Investment in Lufthansa Technik Philippines, Inc. (LTP)***

The Company has a 49% investment in LTP, an associate, with a carrying value of ₱2,151.3 million as of December 31, 2019. The investment is accounted for using the equity method. We consider the accounting for this investment as a key audit matter because of the significance of the Group's share in the net income of LTP amounting to ₱1,010.6 million in the 2019 consolidated net income. The Group's share in the net income of LTP is significantly affected by the amount of provisions for claims and losses recognized by LTP. In the normal course of business, LTP is involved in certain claims by third parties. The determination of whether provision should be recognized and the estimation of provision for the claims and losses require significant management judgment.

Refer to Notes 2 and 3 to the consolidated financial statements for the relevant discussion of accounting policy and a discussion of significant judgments, and Note 9 to the consolidated financial statements for the discussions on the investment in LTP.

*Audit Response*
We inquired of LTP's management their policies and procedures in assessing contingencies and in determining the amounts to be recognized as provisions. We further inquired of LTP's management about the status and potential exposures of significant claims and losses, progress of the claims and their assessment of the likely outcome. We reviewed the minutes of meeting of LTP's Board of Directors and other documents supporting LTP management's assessment of contingencies and the estimation of recognized provisions for claims and losses. We evaluated the position of LTP's management on each of the significant claims by considering the relevant documents and information. We reviewed the application by LTP of the accounting policy in relation to the adoption of PFRS 16, *Leases* and the alignment with the Group's policy.

We also reviewed the calculation of the equity take up in earnings of LTP, as well as the related note disclosures on investment in associate.

***Accounting for the Acquisition of Investment in an Associate***

In 2019, the Company acquired 30% ownership in Japan Airport Services Co. Ltd. (JASCO), from Konoike Transport Group for a cash consideration amounting to ₱853.8 million. This resulted to recognition of investment in associate which includes provisional goodwill amounting to ₱799.1 million.

We considered the transactions as a key audit matter because the amounts involved is material to the consolidated financial statements and the identification of the acquired assets and liabilities and the determination of their fair values involved the use of judgment and estimates.

Refer to Note 2 to the consolidated financial statements for the relevant discussion of accounting policy and Notes 9 and 10 to the consolidated financial statements for the discussion related to the investment in JASCO.

*Audit Response*

We read the key agreements related to the transactions, that is, the share purchase agreements and shareholders agreements. We evaluated the Group's accounting treatment of the transactions.

We obtained an understanding of the Group's provisional purchase price allocation process which includes the identification of the fair values of the net assets acquired. We have reviewed the measurement of the fair value of the net assets made by the Group. We also evaluated the presentation and the disclosure of the transactions in the consolidated financial statements.

***Impairment Testing of Goodwill, Intangible Assets with Indefinite Useful Life and Service Concession Right***

As at December 31, 2019, the Group's goodwill attributable to the cash generating units (CGUs) that are expected to benefit from the business combination, the intangible assets with indefinite useful life (right to use assets) and the service concession right of SNV Resources Development Corporation (SNVRDC) amounted to ₱726.7 million. Under PFRSs, the Group is required to annually test goodwill and intangible

assets with indefinite useful life. Further, PFRSs require that the Group should assess at the end of each reporting period whether there is an indication that an asset is impaired. If such indication exists, the Group should estimate the recoverable amount of the asset.

We considered the impairment testing of goodwill, intangible assets with indefinite useful life and service concession right as a key audit matter because the amounts involved are material to the consolidated financial statements and the management's impairment assessment process requires significant judgment and is based on assumptions, specifically the forecasted volume of annual water consumption, tariff rate and discount rate.

Refer to Notes 2 and 3 to the consolidated financial statements for the relevant accounting policy and a discussion of significant judgments, and Note 14 to the consolidated financial statements for the detailed disclosure on goodwill, intangible assets with indefinite useful life and service concession right.

*Audit Response*

We obtained an understanding of the Group's impairment process and related controls. We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include volume of water consumption, tariff rate and discount rates used. We compared the key assumptions used such as forecasted volume of water consumption against the historical information. We inquired from management and operations personnel about the plans to support the forecast revenue.

We tested the parameters used in the determination of the discount rates against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill, intangible assets and service concession right.

***Adoption of PFRS 16, Leases***

Effective January 1, 2019, the Group adopted PFRS 16, under the full retrospective approach which resulted in significant changes in the Group's accounting policy for leases.

We considered the Group's adoption of PFRS 16 as a key audit matter because the recorded amounts are material to the consolidated financial statements and the adoption involves application of significant judgment and estimation in determining the lease term, including evaluating whether the Group is reasonably certain to exercise options to extend or terminate the lease or to purchase the underlying asset, and in determining the incremental borrowing rate. This resulted to the restatement of the December 31, 2018 and January 1, 2018 balances to recognize right-of-use assets amounting to ₱534.0 million and ₱507.2 million, net investment in the lease amounting to ₱1,169.1 million and ₱1,167.2 million, lease liability amounting to ₱1,743.5 million and ₱1,700.0 million, and the decrease in the beginning retained earnings by ₱257.8 million and ₱261.0 million, respectively.

Refer to Notes 2 and 3 to the consolidated financial statements for the adoption of PFRS 16 applied by the Group, the relevant accounting policy and a discussion of significant judgments, and Note 28 for the detailed disclosures of the lease arrangements.

*Audit Response*

We obtained an understanding of the Group's process in implementing the new standard on leases, including the determination of the population of the lease contracts covered by PFRS 16, the application of the short-term and low value assets exemption, the selection of the transition approach and any election of available practical expedients. On a test basis, we inspected lease agreements (i.e., lease agreements existing prior to the adoption of PFRS 16 and new lease agreements), identified their contractual terms and conditions, and traced these contractual terms and conditions to the lease calculation prepared by management, which covers the calculation of financial impact of PFRS 16, including the transition adjustments. For selected lease contracts with renewal and/or termination option, we reviewed the management's assessment of whether it is reasonably certain that the Group will exercise the option to renew or not exercise the option to terminate. We tested the parameters used in the determination of the incremental borrowing rate by reference to market data. We test computed the lease calculation prepared by management on a sample basis, including the transition adjustments.

We reviewed the disclosures related to leases, including the transition adjustments, based on the requirements of PFRS 16 and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

**Other Information**

Management is responsible for the other information. The other information comprises the Philippine Securities and Exchange Commission (SEC) Form 17-A for the year ended December 31, 2019, SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2019, which are expected to be made available to us after the date of this auditor's report.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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 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 Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

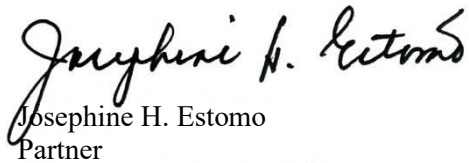
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in the independent auditor's report is Josephine H. Estomo.

SYCIP GORRES VELAYO & CO.



Josephine H. Estomo
Partner
CPA Certificate No. 46349
SEC Accreditation No. 0078-AR-5 (Group A),
June 11, 2019, valid until June 10, 2022
Tax Identification No. 102-086-208
BIR AccredizNtation No. 08-001998-18-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125236, January 7, 2020, Makati City

March 6, 2020

# MACROASIA CORPORATION AND SUBSIDIARIES
# CONSOLIDATED BALANCE SHEETS

| | **December 31 2019** | December 31 2018 (As restated, Notes 2 and10) | January 1 2018 (As restated, Note 2) |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents (Notes 5, 18, 22 and 23) | **₱1,219,639,428** | ₱675,196,833 | ₱913,191,924 |
| Receivables and contract assets (Notes 6, 15, 18 and 23) | **1,925,742,769** | 900,423,623 | 697,822,309 |
| Inventories (Note 7) | **105,978,871** | 88,774,310 | 79,120,917 |
| Input taxes and other current assets (Note 8) | **348,491,609** | 188,870,957 | 136,891,276 |
| **Total Current Assets** | **3,599,852,677** | 1,853,265,723 | 1,827,026,426 |
| **Noncurrent Assets** | | | |
| Investments in associates (Note 9) | **3,087,533,060** | 2,285,668,180 | 1,825,414,378 |
| Property, plant and equipment (Note 12) | **2,561,076,769** | 2,065,540,597 | 1,145,108,621 |
| Net investment in lease (Note 28) | **1,171,844,192** | 1,169,089,704 | 1,167,217,957 |
| Right-of-use assets (Note 28) | **499,566,989** | 533,951,574 | 507,187,809 |
| Investment property (Note 13) | **143,852,303** | 143,852,303 | 143,852,303 |
| Service concession right (Note 14) | **424,608,123** | 429,702,669 | 402,916,926 |
| Intangible assets and goodwill (Notes 10 and 14) | **302,112,383** | 273,394,445 | 239,500,593 |
| Input taxes - net (Note 8) | **262,173,286** | 236,403,791 | 138,621,708 |
| Deferred income tax assets - net (Notes 10 and 25) | **51,897,998** | 25,331,291 | 22,653,073 |
| Other noncurrent assets (Notes 15, 18, 21 and 28) | **383,451,244** | 546,492,575 | 410,023,630 |
| **Total Noncurrent Assets** | **8,888,116,347** | 7,709,427,129 | 6,002,496,998 |
| **TOTAL ASSETS** | **₱12,487,969,024** | ₱9,562,692,852 | ₱7,829,523,424 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Notes payable (Notes 16, 18, 22 and 23) | **₱575,000,000** | ₱348,450,000 | ₱207,700,866 |
| Accounts payable and accrued liabilities (Notes 17, 18, 23 and 28) | **1,750,913,920** | 868,237,174 | 643,391,773 |
| Income tax payable | **14,004,966** | 16,855,640 | 8,172,218 |
| Dividends payable (Note 27) | **35,928,020** | 21,234,024 | 180,660,640 |
| Current portion of long - term debts (Notes 16, 18, 22, and 23) | **482,536,067** | 77,009,744 | 434,634,202 |
| Current portion of lease liabilities (Note 28) | **24,688,033** | 22,479,958 | 21,355,961 |
| **Total Current Liabilities** | **2,883,071,006** | 1,354,266,540 | 1,495,915,660 |
| **Noncurrent Liabilities** | | | |
| Long-term debts - net of current portion (Notes 16, 18, 22 and 23) | **784,399,498** | 676,516,177 | 77,975,743 |
| Lease liabilities - net of current portion (Note 28) | **1,698,736,101** | 1,721,063,375 | 1,678,653,506 |
| Accrued retirement and other employee benefits payable (Note 21) | **93,089,694** | 29,053,471 | 28,974,452 |
| Deferred income tax liabilities - net (Notes 10, 15 and 25) | **142,800,411** | 138,610,450 | 125,193,265 |
| Other noncurrent liabilities (Note 18) | **48,029,160** | 44,795,967 | 53,849,644 |
| **Total Noncurrent Liabilities** | **2,767,054,864** | 2,610,039,440 | 1,964,646,610 |
| **Total Liabilities** | **5,650,125,870** | 3,964,305,980 | 3,460,562,270 |

*(Forward)*

| | **December 31** | December 31 | January 1 |
|---|---|---|---|
| | **2019** | 2018 (As restated, Note 2) | 2018 (As restated, Note 2 ) |
| **Equity attributable to equity holders of the Company** | | | |
| Capital stock - ₱1 par value (Note 27) | **₱1,618,146,293** | ₱1,618,146,293 | ₱1,250,000,000 |
| Additional paid-in capital | **281,437,118** | 281,437,118 | 281,437,118 |
| Other reserves (Note 27) | **1,030,075,272** | 143,299,677 | 143,299,677 |
| Other components of equity (Notes 9, 15 and 21) | **(159,952,483)** | 98,146,690 | (98,821,397) |
| Retained earnings (Note 27) | **4,081,275,526** | 3,270,479,831 | 2,587,383,549 |
| Treasury shares (Note 27) | **(426,826,835)** | (176,215,402) | (113,676,300) |
| | **6,424,154,891** | 5,235,294,207 | 4,049,622,647 |
| **Non-controlling interests** (Note 11) | **413,688,263** | 363,092,665 | 319,338,507 |
| **Total Equity** | **6,837,843,154** | 5,598,386,872 | 4,368,961,154 |
| **TOTAL LIABILITIES AND EQUITY** | **₱12,487,969,024** | ₱9,562,692,852 | ₱7,829,523,424 |

*See accompanying Notes to Consolidated Financial Statements.*

# MACROASIA CORPORATION AND SUBSIDIARIES
# CONSOLIDATED STATEMENTS OF INCOME

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2019** | 2018 (As restated, Notes 2 and 10) | 2017 (As restated, Note 2) |
| **REVENUE** (Note 19) | | | |
| In-flight and other catering (Note 18) | **₱2,905,490,152** | ₱1,663,770,983 | ₱1,541,000,353 |
| Ground handling and aviation (Note 18) | **2,869,563,325** | 1,463,947,551 | 1,031,617,643 |
| Water | **347,597,854** | 271,043,164 | 142,646,814 |
| Administrative (Note 18) | **29,742,058** | 27,857,712 | 28,265,705 |
| Exploratory drilling fees (Note 28) | **15,437,718** | – | 27,259,722 |
| | **6,167,831,107** | 3,426,619,410 | 2,770,790,237 |
| **DIRECT COSTS** (Notes 19 and 28) | | | |
| In-flight and other catering | **2,077,705,460** | 1,102,589,553 | 1,006,099,235 |
| Ground handling and aviation | **2,424,663,739** | 1,175,549,990 | 807,477,254 |
| Water related expenses (Note 10) | **245,470,437** | 246,621,272 | 124,415,505 |
| Administrative | **43,681,283** | 60,958,179 | 19,484,610 |
| Exploratory drilling expense | **24,338,456** | 13,666,586 | 27,433,991 |
| | **4,815,859,375** | 2,599,385,580 | 1,984,910,595 |
| **GROSS PROFIT** | **1,351,971,732** | 827,233,830 | 785,879,642 |
| **SHARE IN NET EARNINGS OF ASSOCIATES** (Note 9) | **1,077,260,403** | 1,070,014,588 | 978,508,908 |
| | **2,429,232,135** | 1,897,248,418 | 1,764,388,550 |
| **OPERATING EXPENSES** (Note 20) | **1,038,520,689** | 710,712,348 | 601,428,734 |
| | **1,390,711,446** | 1,186,536,070 | 1,162,959,816 |
| **OTHER INCOME (CHARGES)** (Note 22) | | | |
| Interest income (Notes 5, 15, 18, and 28) | **11,775,315** | 11,076,601 | 8,482,346 |
| Financing charges (Notes 16, 18 and 28) | **(88,377,257)** | (51,353,800) | (33,153,279) |
| Foreign exchange gain - net (Note 22) | **17,452,614** | 27,414,886 | 3,879,132 |
| Other income - net | **53,805,137** | 29,766,123 | 40,408,759 |
| | **(5,344,191)** | 16,903,810 | 19,616,958 |
| **INCOME BEFORE INCOME TAX** | **1,385,367,255** | 1,203,439,880 | 1,182,576,774 |
| **PROVISION FOR INCOME TAX** (Note 25) | | | |
| Current | **193,978,703** | 122,041,967 | 118,556,863 |
| Deferred | **(2,637,521)** | (4,702,321) | (2,133,831) |
| | **191,341,182** | 117,339,646 | 116,423,032 |
| **NET INCOME** | **₱1,194,026,073** | ₱1,086,100,234 | ₱1,066,153,742 |
| Net income attributable to: | | | |
| Equity holders of the Company | **₱1,129,066,014** | ₱1,051,242,575 | ₱1,022,721,639 |
| Non-controlling interests (Note 11) | **64,960,059** | 34,857,659 | 43,432,103 |
| | **₱1,194,026,073** | ₱1,086,100,234 | ₱1,066,153,742 |
| **Basic/Diluted Earnings Per Share*** (Note 26) | **₱0.71** | ₱0.66 | ₱0.64 |

**After retroactive effect of 30% stock dividends in 2018.*

*See accompanying Notes to Consolidated Financial Statements.*

# MACROASIA CORPORATION AND SUBSIDIARIES
# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2019** | 2018 (As restated, Notes 2 and 10) | 2017 (As restated, Note 2) |
| **NET INCOME** | **₱1,194,026,073** | ₱1,086,100,234 | ₱1,066,153,742 |
| **OTHER COMPREHENSIVE INCOME (LOSS) -** Net | | | |
| *Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:* | | | |
| Changes in fair value of debt securities held at FVTOCI (Note 15) | – | (2,092,938) | – |
| Cumulative unrealized loss on fair value changes on debt securities recycled to profit or loss (Note 15) | – | 6,846,940 | – |
| Changes in fair value of AFS investments (Note 15) | – | – | 2,311,498 |
| Net foreign currency translation adjustments (Note 9) | **(100,669,833)** | 106,010,813 | (621,060) |
| *Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:* | | | |
| Changes in fair value of equity investments held at FVTOCI (Note 15) | **9,350,000** | 17,000,000 | – |
| Remeasurement gains (losses) on defined benefit plans, net of tax effect (Note 21) | **(58,117,549)** | 9,012,108 | 2,703,451 |
| Share in remeasurement gains (losses) on defined benefit plans of associates (Note 9) | **(112,207,996)** | 60,508,402 | (40,265,714) |
| | **(261,645,378)** | 197,285,325 | (35,871,825) |
| **TOTAL COMPREHENSIVE INCOME** | **₱932,380,695** | ₱1,283,385,559 | ₱1,030,281,917 |
| **Other comprehensive income (loss) attributable to:** | | | |
| Equity holders of the Company | **(₱258,099,173)** | ₱196,968,087 | (₱36,539,304) |
| Non-controlling interests (Note 11) | **(3,546,205)** | 317,238 | 667,479 |
| | **(₱261,645,378)** | ₱197,285,325 | (₱35,871,825) |
| **Total comprehensive income attributable to:** | | | |
| Equity holders of the Company | **₱870,966,841** | ₱1,248,210,662 | ₱986,182,335 |
| Non-controlling interests (Note 11) | **61,413,854** | 35,174,897 | 44,099,582 |
| | **₱932,380,695** | ₱1,283,385,559 | ₱1,030,281,917 |

*See accompanying Notes to Consolidated Financial Statements.*

# MACROASIA CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

| | Attributable to Equity Holders of the Company | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Other Components of Equity | | | | | | | | | | |
| | Capital Stock (Note 27) | Additional Paid-in Capital | Other Reserves (Note 27) | AFS Investments Reserve (Note 15) | Reserve for Fair Value Changes of Financial Assets Investments (Note 15) | Share in Foreign Currency Translation Adjustments of an Associate (Note 9) | Remeasurements on Defined Benefit Plans (Note 21) | Share in Remeasurements on Defined Benefit Plan of Associates (Note 9) | Subtotal | Retained Earnings (Note 27) | Treasury Shares (Note 27) | Subtotal | Non-controlling Interests (Note 11) | Total |
| **BALANCES AT JANUARY 1, 2017, AS PREVIOUSLY REPORTED** | **₱1,250,000,000** | **₱281,437,118** | **₱143,299,677** | **₱12,054,499** | **₱–** | **(₱52,041,986)** | **₱28,932,144** | **(₱50,826,750)** | **(₱61,882,093)** | **₱2,000,576,033** | **(₱49,418,660)** | **₱3,564,012,075** | **₱298,277,392** | **₱3,862,289,467** |
| Effect of adoption of PFRS 16 (Note 2) | – | – | – | – | – | – | – | – | – | (264,512,512) | – | (264,512,512) | 61,533 | (264,450,979) |
| **BALANCES AT JANUARY 1, 2017, AS RESTATED** | **1,250,000,000** | **281,437,118** | **143,299,677** | **12,054,499** | **–** | **(52,041,986)** | **28,932,144** | **(50,826,750)** | (₱61,882,093) | **1,736,063,521** | **(49,418,660)** | **3,299,499,563** | **298,338,925** | **3,597,838,488** |
| Net income, as previously reported | – | – | – | – | – | – | – | – | – | 1,019,242,053 | – | 1,019,242,053 | 43,781,301 | 1,063,023,354 |
| Effect of adopton of PFRS 16 | – | – | – | – | – | – | – | – | – | 3,479,586 | – | 3,479,586 | (349,198) | 3,130,388 |
| Net income, as restated | – | – | – | – | – | – | – | – | – | 1,022,721,639 | | 1,022,721,639 | 43,432,103 | 1,066,153,742 |
| Other comprehensive income | – | – | – | 2,311,498 | – | (621,060) | 2,035,972 | (40,265,714) | (36,539,304) | – | – | (36,539,304) | 667,479 | (35,871,825) |
| Total comprehensive income, as restated | – | – | – | 2,311,498 | – | (621,060) | 2,035,972 | (40,265,714) | (36,539,304) | 1,022,721,639 | – | 986,182,335 | 44,099,582 | 1,030,281,917 |
| Effect of adoption of PFRS 9 | – | – | – | (14,365,997) | 13,965,997 | – | – | – | (400,000) | 400,000 | – | – | – | – |
| Cash dividends at ₱0.140 per share | – | – | – | – | – | – | – | – | – | (171,801,611) | – | (171,801,611) | – | (171,801,611) |
| Dividends to non-controlling interest | – | – | – | – | – | – | – | – | – | – | – | – | (23,100,000) | (23,100,000) |
| Acquisition of treasury shares | – | – | – | – | – | – | – | – | – | – | (64,257,640) | (64,257,640) | – | (64,257,640) |
| **BALANCES AT JANUARY 1, 2018, AS RESTATED** | **₱1,250,000,000** | **₱281,437,118** | **₱143,299,677** | **₱–** | **₱13,965,997** | **(₱52,663,046)** | **₱30,968,116** | **(₱91,092,464)** | **(₱98,821,397)** | **₱2,587,383,549** | **(₱113,676,300)** | **₱4,049,622,647** | **₱319,338,507** | **₱4,368,961,154** |
| **BALANCES AT JANUARY 1, 2018 AS PREVIOUSLY REPORTED** | **₱1,250,000,000** | **₱281,437,118** | **₱143,299,677** | **₱–** | **₱13,965,997** | **(₱52,663,046)** | **₱30,968,116** | **(₱91,092,464)** | **(₱98,821,397)** | **₱2,848,416,475** | **(₱113,676,300)** | **₱4,310,655,573** | **₱319,626,172** | **₱4,630,281,745** |
| Effect of adoption of PFRS 16 (Note 2) | – | – | – | – | – | – | – | – | – | (261,032,926) | – | (261,032,926) | (287,665) | (261,320,591) |
| **BALANCES AT JANUARY 1, 2018, AS RESTATED** | **1,250,000,000** | **281,437,118** | **143,299,677** | **–** | **13,965,997** | **(52,663,046)** | **30,968,116** | **(91,092,464)** | **(98,821,397)** | **2,587,383,549** | **(113,676,300)** | **4,049,622,647** | **319,338,507** | **4,368,961,154** |
| Net income, as previously reported | – | – | – | – | – | – | – | – | – | 1,048,217,013 | – | 1,048,217,013 | 35,366,795 | 1,083,583,808 |
| Effect of adoption of PFRS 16 | – | – | – | – | – | – | – | – | – | 3,192,964 | – | 3,192,964 | (397,535) | 2,795,429 |
| Effect of finalization of purchase price of SWRI | – | – | – | – | – | – | – | – | – | (167,402) | – | (167,402) | (111,601) | (279,003) |
| Net income, as restated | – | – | – | – | – | – | – | – | – | 1,051,242,575 | – | 1,051,242,575 | 34,857,659 | 1,086,100,234 |
| Other comprehensive income | – | – | – | – | 21,754,002 | 106,010,813 | 8,694,870 | 60,508,402 | 196,968,087 | – | – | 196,968,087 | 317,238 | 197,285,325 |
| Total comprehensive income, as restated | – | – | – | – | 21,754,002 | 106,010,813 | 8,694,870 | 60,508,402 | 196,968,087 | 1,051,242,575 | – | 1,248,210,662 | 35,174,897 | 1,283,385,559 |
| Declaration of 30% stock dividends | 368,146,293 | – | – | – | – | – | – | – | – | (368,146,293) | – | – | – | – |
| Dividends to non-controlling interest | – | – | – | – | – | – | – | – | – | – | – | – | (24,750,000) | (24,750,000) |
| Acquisition of treasury shares | – | – | – | – | – | – | – | – | – | – | (62,539,102) | (62,539,102) | – | (62,539,102) |
| Non-controlling interest arising on a business combination (Note 10) | – | – | – | – | – | – | – | – | – | – | – | – | 33,329,261 | 33,329,261 |
| **BALANCES AT DECEMBER 31, 2018, AS RESTATED** | **₱1,618,146,293** | **₱281,437,118** | **₱143,299,677** | **₱–** | **₱35,719,999** | **₱53,347,767** | **₱39,662,986** | **(₱30,584,062)** | **₱98,146,690** | **₱3,270,479,831** | **(₱176,215,402)** | **₱5,235,294,207** | **₱363,092,665** | **₱5,598,386,872** |

*(Forward)*

| | Attributable to Equity Holders of the Company | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Other Components of Equity | | | | | | | | | | |
| | Capital Stock (Note 27) | Additional Paid-in Capital | Other Reserves (Note 27) | AFS Investments Reserve (Note 15) | Reserve for Fair Value Changes of Financial Assets Investments (Note 15) | Share in Foreign Currency Translation Adjustments of an Associate (Note 9) | Remeasurements on Defined Benefit Plans (Note 21) | Share in Remeasurements on Defined Benefit Plan of Associates (Note 9) | Subtotal | Retained Earnings (Note 27) | Treasury Shares (Note 27) | Subtotal | Non-controlling Interests (Note 11) | Total |
| **BALANCES AT DECEMBER 31, 2018 AS PREVIOUSLY REPORTED** | **₱1,618,146,293** | **₱281,437,118** | **₱143,299,677** | **₱–** | **₱35,719,999** | **₱53,347,767** | **₱39,662,986** | **(₱30,584,062)** | **₱98,146,690** | **₱3,528,487,195** | **(₱176,215,402)** | **₱5,493,301,571** | **₱350,343,327** | **₱5,843,644,898** |
| Effect of adoption of PFRS 16 (Note 2) | – | – | – | – | – | – | – | – | – | (257,839,962) | – | (257,839,962) | (685,200) | (258,525,162) |
| Effect of finalization of purchase price of SWRI | – | – | – | – | – | – | – | – | – | (167,402) | – | (167,402) | 13,434,538 | 13,267,136 |
| **BALANCES AT DECEMBER 31, 2018, AS RESTATED** | **1,618,146,293** | **281,437,118** | **143,299,677** | **–** | **35,719,999** | **53,347,767** | **39,662,986** | **(30,584,062)** | **98,146,690** | **3,270,479,831** | **(176,215,402)** | **5,235,294,207** | **363,092,665** | **5,598,386,872** |
| Net income | – | – | – | – | – | – | – | – | – | 1,129,066,015 | – | 1,129,066,014 | 64,960,059 | 1,194,026,073 |
| Other comprehensive income | – | – | – | – | 9,350,000 | (100,669,833) | (54,571,342) | (112,207,998) | (258,099,173) | – | – | (258,099,173) | (3,546,205) | (261,645,378) |
| Total comprehensive income | – | – | – | – | 9,350,000 | (100,669,833) | (54,571,342) | (112,207,998) | (258,099,173) | 1,129,066,015 | – | 870,966,841 | 61,413,854 | 932,380,695 |
| Declaration of cash dividends at ₱0.20 per share | – | – | – | – | – | – | – | – | – | (318,270,319) | – | (318,270,319) | – | (318,270,319) |
| Dividends to non-controlling interest | – | – | – | – | – | – | – | – | – | – | – | – | (26,400,000) | (26,400,000) |
| Acquisition of treasury shares | – | – | – | – | – | – | – | – | – | – | (250,611,433) | (250,611,433) | – | (250,611,433) |
| Disposal of 20% ownership in a subsidiary | – | – | 886,775,595 | – | – | – | – | – | – | – | – | 886,775,595 | – | 886,775,595 |
| Sale of investment in subsidiaries to non-controlling interest | – | – | – | – | – | – | – | – | – | – | – | – | 12,519,094 | 12,519,095 |
| Investment of non-controlling interest in a newly incorporated subsidiary | – | – | – | – | – | – | – | – | – | – | – | – | 3,062,650 | 3,062,650 |
| **BALANCES AT DECEMBER 31, 2019** | **₱1,618,146,293** | **₱281,437,118** | **₱1,030,075,272** | **₱–** | **₱45,069,999** | **(₱47,322,066)** | **(₱14,908,356)** | **(₱142,792,060)** | **(₱159,952,483)** | **₱4,081,275,527** | **(₱426,826,835)** | **₱6,424,154,891** | **₱413,688,263** | **₱6,837,843,154** |

*See accompanying Notes to Consolidated Financial Statements.*

# MACROASIA CORPORATION AND SUBSIDIARIES
# CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2019** | 2018 (As restated, Notes 2, 10 and 28) | 2017 (As restated, Notes 2 and 28) |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax | **₱1,385,367,255** | ₱1,203,439,880 | ₱1,182,576,774 |
| Adjustments for: | | | |
| Depreciation and amortization (Notes 12, 14, 15 and 28) | **268,894,865** | 212,137,508 | 183,552,507 |
| Share in earnings of associates (Note 9) | **(1,077,260,403)** | (1,070,014,588) | (978,508,908) |
| Financing charges (Notes 16, 18 and 22) | **88,377,257** | 51,353,800 | 33,153,279 |
| Interest income (Notes 5, 15, 18, 22 and 28) | **(11,775,315)** | (11,076,601) | (8,482,346) |
| Unrealized foreign exchange gain - net | **(2,531,368)** | (5,346,891) | (2,518,753) |
| Gain on sale of disposal of property and equipment (Note 12) | – | (406,314) | – |
| Loss on sale of investment in debt securities (Note 15) | – | 6,846,940 | – |
| Retirement benefits costs (Note 21) | **40,670,855** | 25,936,047 | 22,356,179 |
| Provision for (reversal of) other long-term benefits (Note 21) | **16,778,280** | (223,702) | 2,055,814 |
| Operating income before working capital changes | **708,521,426** | 412,646,079 | 434,184,546 |
| Decrease (increase) in: | | | |
| Receivables and contract assets | **(1,025,319,146)** | (276,330,415) | (16,780,605) |
| Inventories | **(17,204,561)** | (5,010,794) | (8,034,749) |
| Input taxes and other current assets | **(159,620,652)** | (30,515,456) | (154,604,330) |
| Service concession right | **(14,921,378)** | (24,406,608) | (4,300,110) |
| Increase in accounts payable and accrued liabilities | **706,308,267** | 225,710,089 | 168,742,576 |
| Cash generated from operations | **197,763,956** | 302,092,895 | 419,207,328 |
| Interest received | **10,361,668** | 9,806,748 | 7,232,735 |
| Financing charges paid | **(86,440,557)** | (43,228,631) | (32,315,780) |
| Contributions to the retirement fund (Note 21) | **(29,893,088)** | (28,887,875) | (22,146,194) |
| Other employee benefits paid | **–** | (1,562,742) | (2,167,802) |
| Income taxes paid, including creditable withholding taxes and tax credit certificates | **(196,829,377)** | (135,514,330) | (132,151,799) |
| Net cash flows from (used in) operating activities | **(105,037,398)** | 102,706,065 | 237,658,488 |

*(Forward)*

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2019** | 2018 (As restated, Note 10) | 2017 (As restated, Note 10) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisitions of: | | | |
| Property and equipment (Note 12) | **(₱514,462,303)** | (₱1,014,879,287) | (₱374,257,508) |
| Right to use of water permits (Note 14) | **(32,108,342)** | – | – |
| Investments - net of cash acquired (Notes 9 and 10) | **(853,370,000)** | (51,997,029) | (119,555,035) |
| Proceeds from sale of investment in stocks (Note 10) | **886,775,595** | – | – |
| Returns from (payments for) refundable deposits and other noncurrent assets (Note 15) | **131,136,565** | (8,880,085) | 5,350,895 |
| Acquisition of software (Note 15) | – | (5,278,225) | (5,904,823) |
| Payments of advances to contractors (Note 15) | – | (205,430,736) | (97,322,333) |
| Payments for project advances (Note 15) | – | (328,067) | (255,102) |
| Proceeds from disposal of: | | | |
| AFS debt securities (Note 15) | – | 63,153,060 | – |
| Property and equipment (Note 12) | – | 406,339 | – |
| Dividends received (Note 9) | **916,316,715** | 799,282,000 | 389,109,650 |
| Net cash from (used in) investing activities | **534,288,230** | (423,952,030) | (202,834,256) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Availments of: | | | |
| Notes payable (Note 16) | **625,000,000** | 403,865,000 | 72,550,000 |
| Long-term debts (Note 16) | **648,575,000** | 250,000,000 | 532,113,742 |
| Payments of: | | | |
| Notes payable (Note 16) | **(398,450,000)** | (262,700,886) | (15,261,205) |
| Long-term debts (Note 16) | **(135,165,356)** | (38,067,035) | (53,694,362) |
| Lease liabilities (Notes 28 and 34) | **(51,068,773)** | (24,101,553) | (17,807,548) |
| Acquisition of treasury shares (Note 27) | **(250,444,773)** | (62,539,102) | (64,257,640) |
| Dividends paid (Note 27) | **(317,601,323)** | (184,176,616) | (132,221,557) |
| Net cash flows from financing activities | **120,844,775** | 82,279,808 | 321,421,430 |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | **(5,653,012)** | 971,066 | (2,744,787) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **544,442,595** | (237,995,091) | 353,500,875 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **675,196,833** | 913,191,924 | 559,691,049 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** (Note 5) | **₱1,219,639,428** | ₱675,196,833 | ₱913,191,924 |

*See accompanying Notes to Consolidated Financial Statements.*

## 1. Corporate Information and Business Operations

Corporate Information

MacroAsia Corporation (the Company or MAC), a publicly-listed corporation, was incorporated in the Philippines on February 16, 1970 under the name Infanta Mineral & Industrial Corporation to engage in the business of geological exploration and development. On January 26, 1994, its Articles of Incorporation was amended to change its primary purpose from exploration and development to that of engaging in the business of a holding company, and changed its corporate name to Cobertson Holdings Corporation. On November 6, 1995, the Company's Articles of Incorporation was again amended to change its corporate name to its present name. On August 7, 2018, the Company's Articles of Incorporation was further amended for the extension of the Company's corporate life for another 50 years, from and after February 15, 2020. However, under the Revised Corporation Code of the Philippines, MAC shall have perpetual corporate life. Its registered office address is at 12th Floor, PNB Allied Bank Center, 6754 Ayala Avenue, Makati City.

Business Operations

The principal activities of the Company and its subsidiaries (collectively referred to as the Group) are described in Note 4. The Company, through its subsidiaries and associates (see Note 9), is primarily engaged in aviation-support businesses at the Ninoy Aquino International Airport (NAIA), Manila Domestic Airport (MDA), Mactan-Cebu International Airport (MCIA), Kalibo International Airport (KIA), Davao International Airport and the General Aviation Areas. It provides in-flight catering services, ground handling services for passenger and cargo aircraft, and helicopter charter flight services. It also operates/develops the sole economic zone within the NAIA.

Through MACS and its subsidiaries, the Company also provides food requirements of some passenger terminal lounges in NAIA. MACS and its subsidiaries have also ventured into the provision of the food service requirements of non-airline institutional clients outside the airport. Through MacroAsia Properties Development Corporation (MAPDC), the Company started pursuing projects related to reclaimed water supply, bulk water supply using surface water sources, and water distribution in areas outside of Metro Manila. Further, considering the expertise of staff gained through the exploration of the Company's Infanta Nickel Project in Palawan, the Company has rendered nickel exploration services for other mining companies, through MacroAsia Mining Corporation (MMC), a wholly-owned subsidiary.

Through Lufthansa Technik Philippines, Inc. (LTP), an associate, which has a maintenance, repairs and overhaul facility in the Philippines, the Company provides globally competitive heavy maintenance and engineering services for specific models of Airbus and Boeing aircraft for airline clients all over the world.

On February 5, 2020, the Philippine Securities and Exchange Commission (SEC) approved the change of Airport Specialists' Services Corporation (ASSC) registered name to Allied Water Services, Inc. (AWSI) also pursuing subsequent water-related projects.

The consolidated financial statements of the Group as of December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 were authorized for issuance by the Board of Directors (BOD) on March 6, 2020.

2. **Summary of Significant Accounting and Financial Reporting Policies**

Basis of Preparation
The consolidated financial statements have been prepared using the historical cost basis, except for equity investments held at fair value through other comprehensive income (FVTOCI) and Available for sale (AFS) investments which are carried at fair value. The consolidated financial statements are presented in Philippine peso (Peso), which is the Company's functional and presentation currency. Amounts are rounded to the nearest Peso except when otherwise indicated.

Statement of Compliance
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019:

- PFRS 16, *Leases,* supersedes PAS 17, *Leases*, Philippine Interpretation International Financial Reporting Interpretation Committee (IFRIC) 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation Standards Interpretation Committee (SIC)-15, *Operating Leases-Incentives*, and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  Early application is permitted, but not before an entity applies PFRS 15, *Revenue from Contracts with Customers*. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Group adopted PFRS 16 using the full retrospective approach with the commencement dates of the lease as the initial application date. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

The effect of adopting PFRS 16 on the consolidated financial statements are as follows:

Impact on the consolidated balance sheets:

| | **December 31 2019** | December 31 2018 | January 1, 2018 |
|---|---|---|---|
| *Increase (decrease) in:* | | | |
| **Assets** | | | |
| Investments in associates | **(₱212,364,497)** | (₱228,987,328) | (₱239,767,983) |
| Other current assets | **(7,148,155)** | (7,170,955) | (7,338,629) |
| Net investment in the lease | **1,171,844,192** | 1,169,089,704 | 1,167,217,957 |
| Right-of-use assets | **499,566,989** | 533,951,574 | 507,187,809 |
| Accrued rental receivables | **(92,868,553)** | (92,868,553) | (100,493,669) |
| Deferred income tax assets | **9,856,004** | 6,403,883 | 3,219,871 |
| **Total assets** | **1,368,885,980** | 1,380,418,325 | 1,330,025,356 |
| **Liabilities** | | | |
| Current portion of lease liabilities | **24,688,033** | 22,479,958 | 21,355,961 |
| Lease liabilities - net of current portion | **1,698,736,101** | 1,721,063,375 | 1,678,653,506 |
| Deferred tax liabilities | **528,926** | 233,781 | 14,887 |
| Accounts payable and accrued liabilities | **(104,579,963)** | (104,833,627) | (108,678,407) |
| **Total liabilities** | **1,619,373,097** | 1,638,943,487 | 1,591,345,947 |
| **Equity** | | | |
| Retained earnings | **(248,990,517)** | (257,839,962) | (261,032,926) |
| Non-controlling interests | **(1,496,600)** | (685,200) | (287,665) |
| **Total equity** | **(250,487,117)** | (258,525,162) | (261,320,591) |
| **Total liabilities and equity** | **₱1,368,885,980** | ₱1,380,418,325 | ₱1,330,025,356 |

Impact on the consolidated statements of income:

| | Years Ended | | |
|---|---|---|---|
| | **2019** | 2018 | 2017 |
| *Increase (decrease) in:* | | | |
| Rental revenue | **(₱173,982,045)** | (₱173,982,045) | (₱168,137,800) |
| Direct costs | **172,615,120** | 173,467,669 | 168,077,317 |
| **Gross profit** | **(1,366,925)** | (514,376) | (60,483) |
| Share in net earnings of associates | **(16,622,831)** | (10,780,656) | (10,565,393) |
| Operating expenses | **(14,046,964)** | (13,230,200) | (13,083,471) |
| Financing charges | **27,425,044** | 24,902,553 | 23,765,390 |
| Provision for income tax | **(3,426,369)** | (3,172,750) | (3,186,431) |
| **Net income** | **₱8,038,045** | ₱2,795,429 | ₱3,130,388 |
| Net income attributable to: | | | |
| Equity holders of the parent | **₱8,849,445** | ₱3,192,964 | ₱3,479,586 |
| Non-controlling interests | **(811,400)** | (397,535) | (349,198) |

Impact on the consolidated statements of cash flows [increase (decrease)]:

| | Years Ended | | |
|---|---|---|---|
| | **2019** | 2018 | 2017 |
| Payments of lease liabilities | **₱78,493,817** | ₱49,004,106 | ₱41,572,938 |
| Interest paid | **(27,425,044)** | (24,902,553) | (23,765,390) |
| **Net cash flows from operating activities** | **51,068,773** | 24,101,553 | 17,807,548 |
| Payment of principal portion of lease liabilities | **(51,068,773)** | (24,101,553) | (17,807,548) |
| **Net cash flows from financing activities** | **(51,068,773)** | (24,101,553) | (17,807,548) |

There is no material impact on other comprehensive income or the basic and diluted earnings per share.

The Group has lease contracts for various items of property and equipment and investment property. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance charges) and reduction of the finance lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under "Input taxes and other current assets", and "Accounts payable and accrued liabilities", respectively.

The Group elected to use the following transition practical expedient:

- allowing the standard to be applied only to contracts that were previously identified as leases applying PAS 17 and IFRIC 4, *Determining Whether an Arrangement Contains a Lease* at the date of initial application;
- recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases');and lease contracts for which the underlying asset is of low value ('low-value assets').

*Leases previously classified as finance leases*
The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under PAS 17). The requirements of PFRS 16 were applied to these leases on commencement date.

*Leases previously accounted for as operating leases*
The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized at the commencement date of the lease. Lease liabilities were recognized based on the present value of the lease payments, discounted using the incremental borrowing rate at the commencement date of the lease.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes* and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing of intercompany transactions. The Group determined, based on its tax compliance, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authority. The interpretation did not have any impact on the consolidated financial statements of the Group.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the Group's consolidated financial statements.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments currently have no impact on the Group's consolidated

financial statements but will apply to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Investment in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

- *Annual Improvements to PFRSs 2015-2017 Cycle*

  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are currently not relevant to the Group because current dividends declared by the Group do not give rise to tax obligations under the current tax laws but will apply to future dividend declarations.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  These amendments have no impact on the Group's consolidated financial statements since the Group's current practice is in line with these amendments.

Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning on or after January 1, 2020. The Group has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

The Group will adopt the following new or revised standards, amendments to standards and interpretations on the respective effective dates, as applicable:

*Effective beginning on or after January 1, 2020*

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

*Effective beginning on or after January 1, 2021*

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

*Deferred effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The significant accounting policies adopted in the preparation of the consolidated financial statements are summarized below.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group, its direct subsidiaries, the subsidiaries of MACS, MAPDC, Boracay Tubi Systems Inc. (BTSI) and the subsidiary of MMC, Watergy Business Solutions, Inc. (WBSI) and Airport Specialists' Services Corporation (ASSC), which were all incorporated in the Philippines and are registered with the Philippine SEC as of December 31 of each year.

| Entity | Nature of business | Percentage of Ownership by MAC | | | | Percentage of Direct Ownership by MACS/ MAPDC/ WBSI/BTSI/ MMC/ASSC | |
|---|---|---|---|---|---|---|---|
| | | **2019** | | 2018 | | | |
| | | **Direct** | **Indirect** | Direct | Indirect | **2019** | 2018 |
| MacroAsia Airport Services Corporation (MASCORP) | Groundhandling aviation services | **80**[9] | **–** | 100 | – | **–** | – |
| MacroAsia Catering Services Corporation (MACS) | In-flight and other catering services | **67** | **–** | 67 | – | **–** | – |
| MacroAsia SATS Industries (MSFI)[8] | Food Meal production and food processing | **–** | **67** | – | 67 | **100** | 100 |
| MacroAsia SATS Inflight Services Corporation (MSISC)[8] | Meal production and food processing | **–** | **67** | – | 67 | **100** | 100 |
| MacroAsia Air Taxi Services, Inc. (MAATS) | Helicopter chartering services | **100** | **–** | 100 | – | **–** | – |
| MacroAsia Properties Development Corporation (MAPDC) | Economic Zone (Ecozone) developer/operator and water supply | **100** | **–** | 100 | – | **–** | – |
| SNV Resources Development Corporation (SNVRDC) | Water treatment and distribution | **–** | **100** | – | 100 | **100** | 100 |
| Boracay Tubi System, Inc. (BTSI)[3] | Water treatment and distribution, and construction of sewage treatment plant | – | **67** | – | 67 | **67** | 67 |
| MONAD Water and Sewerage Systems, Inc. (MONAD)[3] | Water sewerage treatment | – | **53.6** | – | 53.6 | **80** | 80 |
| New Earth Water System, Inc. (NEWS)[3] | Water projects | – | **67** | – | 67 | **100** | 100 |
| Naic Water Supply Corporation (NAWASCOR)[4] | Water distribution | – | **100** | – | 100 | **100** | 100 |
| Mabini Pangasinan Resources Development Corporation (MPRDC)[2] | Water projects | **–** | **100** | – | 100 | **100** | 100 |
| Panay Water Business Resources, Inc. (PWBRI)[2] | Water projects | **–** | **90** | – | 90 | **90** | 90 |
| Watergy Business Solutions, Inc. (WBSI) | Water projects | **–** | **51** | – | 51 | **51** | 51 |
| Cavite Business Resources Inc. (CBRI) | Water projects | **–** | **51** | – | 51 | **51** | 51 |
| First Aviation Academy, Inc.[5] | Aviation school | **–** | **51** | **–** | 51 | **51** | 51 |
| Airport Specialists' Services Corporation (ASSC)[1] | Manpower services | **100** | **–** | 100 | – | **–** | – |
| AlliedKonsult Eco Solutions Corporation[2] | Water treatment | **–** | **51** | **–** | **–** | **51** | **–** |
| Cavite AllliedKonsult Services Corporation[2] | Water treatment | **–** | **51** | **–** | **–** | **51** | **–** |

*(Forward)*

| Entity | Nature of business | Percentage of Ownership by MAC | | | | Percentage of Direct Ownership by MACS/ MAPDC/ WBSI/BTSI/ MMC/ASSC | |
|---|---|---|---|---|---|---|---|
| | | **2019** | | 2018 | | | |
| | | **Direct** | **Indirect** | Direct | Indirect | **2019** | 2018 |
| Summa Water Resources Inc. (SWRI)[6] | Water treatment and equipment lease | **–** | **60** | – | 60 | **60** | 60 |
| MacroAsia Mining Corporation (MMC) | Mine exploration, development and operation | **100** | **–** | 100 | – | **–** | – |
| Bulawan Mining Corporation [2],[7] | Mine operation, development and utilization | **–** | **100** | – | 100 | **100** | 100 |

(1) *Resumes operation as holding company of newly acquired water companies*
(2) *No commercial operations as of December 31, 2019*
(3) *Ownership interest effective December 2, 2016*
(4) *Ownership interest effective August 1, 2017*
(5) *Incorporated on December 5, 2017 and started commercial operations on May 19, 2019*
(6) *Ownership interest effective October 1, 2018*
(7) *Ownership interest effective November 15, 2018*
(8) *Started commercial operations on March 16, 2019*
(9) *Change in ownership interest starting December 5, 2019 (see Note 11)*

Subsidiaries are entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but are considered as an impairment indicator of the assets transferred.

Non-controlling Interests

Non-controlling interest represents the portion of the net assets of consolidated subsidiaries not held by the Group. Non-controlling interest is presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within the equity section of the consolidated balance sheet, separate from the Company's equity. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognized in equity of the Company in transactions where the non-controlling interests are acquired or sold without loss of control. This is recognized in the Company's "other reserves". If the Group loses control over a subsidiary, it: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amount of any non-controlling interests; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of the consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; (g) reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The Group should re-attribute a proportion of the goodwill between the controlling and non-controlling interests when their relative ownership interests change. The proportion of goodwill that is attributable to the non-controlling interests is not necessarily equal to their ownership percentage.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. As of the acquisition date, the acquirer shall recognize, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. The excess of consideration of an acquisition over the fair values of acquired identifiable assets and liabilities is recognized as goodwill. For each business combination, the acquirer has the option to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When a business is acquired, the financial assets and financial liabilities assumed are assessed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group as an acquirer shall report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete.

During the measurement period, the Group as an acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Group as an acquirer shall also recognize additional assets or liabilities if new information is obtained about facts

and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group as an acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9, either in profit or loss or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity. Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the fair values of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

*Common control business combinations*
Where there are business combinations involving entities that are ultimately controlled by the same ultimate parent (i.e., controlling shareholders) before and after the business combination and that the control is not transitory ("business combinations under common control"), the Group accounts for such business combinations in accordance with the guidance provided by the Philippine Interpretations Committee Q&A No. 2011-02, PFRS 3.2 *Common Control Business Combinations*. The purchase method of accounting is used, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest, shall be considered. In cases where the transaction has no commercial substance, the business combination is accounted for using the pooling of interest method.

In applying the pooling of interest method, the Group follows the Philippine Interpretations Committee Q&A No. 2012-01, PFRS 3.2 - *Application of the Pooling of Interest Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements*, which provides the following guidance:

- the assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies;

- no new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity as other equity reserve, i.e., either contribution or distribution of equity;
- the consolidated statement of income reflects the results of the combining entities for the full year, irrespective of when the combination took place; and
- as a policy, comparatives are presented as if the entities had always been combined.

Investments in Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in associates is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The profit or loss reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of the investee is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The aggregate of the Group's share of profit or loss of associates is shown in the profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associates.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associates. At each reporting date, the Group determines whether there is objective evidence that the investment in the associates is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value, and then recognizes the loss in the profit or loss.

Upon loss of significant influence over the associates, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associates upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. Investments in associates pertain to the Company's investments in shares of stock of LTP, 49%-owned, Cebu Pacific Catering Services, Inc. (CPCS), 40%-owned, MacroAsia WLL, 35%-owned, Citicore Summa Water Corporation (CSWC), 24%-owned through SWRI. In 2019, investments in associates include investment in shares of stock of Japan Airport Services Co., Ltd., (JASCO), 30%-owned (see Note 9).

Functional Currency-denominated Transactions and Translations

Each entity in the Group determines its own functional currency and the items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange at end of reporting period. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Various factors are considered in determining the functional currency of each entity within the Group, including prices of goods and services, competition, cost and expenses, and other factors including the currency in which financing deals are primarily undertaken. Additional factors are considered in determining the functional currency of a foreign operation, including whether its activities are carried as an extension of the Group rather than being carried out with significant autonomy.

The financial position and results of operations of an associate in United States (US) Dollar ($) and Japanese Yen (JPY) functional currency is translated into the Group's presentation currency using the following procedures:

a. Assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date.
b. Income and expenses for each statement of income and items recognized in other comprehensive income (except for the cumulative translation adjustments) are translated using the monthly average rate.
c. Equity items other than those resulting from income and expense and other comprehensive income are translated at historical rates of exchange.
d. All resulting exchange differences are recognized as part of other comprehensive income (loss) and as a separate component of equity presented as "Other components of equity" under "Share in foreign currency translation adjustments of an associate".

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 a 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 a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that 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
- 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 financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing 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.

The Group's Finance Committee determines the policies and procedures for both recurring fair value measurement. At each reporting date, the Group analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

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.

As of December 31, 2019 and 2018, the Group's equity investments held at FVTOCI are carried at fair value and with fair value measurements at each reporting period (see Note 15). Also, fair values of financial instruments measured at amortized cost are disclosed in Note 32. The Group also discloses the fair value of its investment property with unrecognized fair value measurements (see Notes 13 and 32).

Financial Assets and Financial Liabilities

***Accounting policies starting January 1, 2018***

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, FVTOCI, and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain significant financing component or for which the Group has applied the practical expedient, the Group measures a financial asset at fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or which the Group has applied the practical expedient are measured at transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

*Subsequent measurement*
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

As at December 31, 2019 and 2018, the Group's financial assets consist of financial assets at amortized cost and financial assets at FVTOCI with no recycling of cumulative gains and losses upon derecognition.

*Financial assets at amortized cost (debt instruments)*
This category is most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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 closely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

As of December 31, 2019 and 2018, the Group's financial assets at amortized cost includes cash and cash equivalents, receivables, net investment in lease, refundable deposits and restricted cash investments included under "Other noncurrent assets".

*Financial assets designated at FVTOCI (debt instruments)*
The Group measures debt instruments at FVTOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the 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 debt instruments at FVTOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets

measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

As of December 31, 2019 and 2018, the Group does not have debt instruments designated at FVTOCI.

*Financial assets designated at FVTOCI (equity instruments)*
Upon initial recognition, the Company can elect to classify irrevocably its equity instruments as equity instruments designated at FVTOCI when they meet the definition of equity under PAS 32, *Financial Instruments, Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVTOCI are not subject to impairment assessment.

The Company elected to classify irrevocably its quoted and unquoted equity instruments under this category.

As of December 31, 2019 and 2018, the Group's equity instruments at FVTOCI include golf club shares and equity shares.

*Impairment of financial assets*
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual cash flows in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

***Accounting Policies Prior to January 1, 2018***

*Date of recognition*
The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

*Initial recognition and classification of financial instruments*
Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those designated at FVTPL, includes transaction costs.

On initial recognition, the Group classifies its financial assets in the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments, and AFS financial assets. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Financial liabilities, on the other hand, are classified into the following categories: financial liabilities at FVTPL and other financial liabilities, as appropriate. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

As at January 1, 2018, the Group's financial assets pertain to loans and receivables and AFS financial assets, while financial liabilities pertain to other financial liabilities.

*Subsequent measurement*
Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently carried either at cost or amortized cost in the consolidated balance sheet. Amortization is determined using the effective interest method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

As at January 1, 2018, the Group's cash and cash equivalents, receivables and restricted cash investment included under "Other noncurrent assets" are classified as loans and receivables.

*Impairment of financial assets*
The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the customer or group of customers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Loans and receivables*
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss is recognized in profit or loss.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

***Accounting Policies Applicable to Both Periods***

*Other financial liabilities*
This category pertains to financial liabilities that are not held for trading or not designated as FVTPL upon the inception of the liability. These include liabilities arising from operating and financing activities.

Borrowings are recognized initially at fair value, net of any transaction cost incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowing using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

Accounts payable and accrued expenses are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. These are measured at amortized cost, normally equal to the nominal amount.

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium or discount and any directly attributable transaction costs.

The Group's accounts payable and accrued expenses (except for statutory payables), lease liabilities, notes payable and long- term debt, and dividends payable are classified as other financial liabilities.

Derecognition of Financial Assets and Financial Liabilities
*Financial assets*
A financial asset (or, where applicable, a part of a financial asset or part of an entity 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 asset, but has assumed an obligation to pay them in full without material delay to third party under a "pass-through" arrangement; or
- the Group has transferred its right to receive cash flows from the 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.

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

*Financial liabilities*
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where 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 profit or loss.

*"Day 1" Difference*
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset (i.e., rights that are not dependent on the occurrence of a future event) the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default and insolvency or bankruptcy of the Group and all of the counterparties.

Current versus Non-Current Classification
The Group presents assets and liabilities in the consolidated balance sheet based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within 12 months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is:

- Expected to be settled in normal operating cycle
- Held primarily for the purpose of trading
- Due to be settled within 12 months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

Cash and Cash Equivalents
Cash consists of cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and are subject to an insignificant risk of changes in value.

Cash and cash equivalents which are restricted in use are not presented as part of cash, but presented separately as part of "Other current assets" or "Other noncurrent assets" depending on the maturity.

Inventories
Inventories are stated at the lower of cost and net realizable value (NRV). Cost, which includes purchase price and costs incurred in bringing the product to its present location and condition, is determined on the basis of the moving average method.

NRV of food and beverage is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale. In the case of materials and supplies, NRV is the recoverable value of the inventories when disposed of at their current condition.

Other Current Assets
Other current assets include excess creditable withholding taxes and prepayments. Creditable withholding taxes are deducted from income tax due on the same year the revenue was recognized, with excess recognized as current asset. Prepayments are expenses paid in advance and recorded as asset before they are utilized. They are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets, otherwise, these are classified as other noncurrent assets.

Value-Added Tax (VAT) and Tax Credit Certificates (TCCs)
Revenue, expenses, assets and liabilities are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated balance sheet. When VAT passed on from purchase of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated balance sheet to the extent of the recoverable amount. Receivables and payables are stated with the amount of VAT included. For sale or purchase of services, related VAT is deferred until the related receivable or payable from the transaction has been collected or paid.

Input VAT from acquisition of capital goods amounting to ₱1,000,000 and above of any given calendar month is deferred and amortized over 60 months or the useful life of the capital goods, whichever is shorter. The unamortized portion is included under "Input VAT - net" in the consolidated balance sheet.

The Group maintains an allowance for any possible disallowance of conversion of input VAT to TCC. A review of input VAT is made on a continuing basis to determine the adequacy of allowance for probable losses at each reporting date.

The net amount of VAT payable to taxation authority is included in "Accounts payable and accrued liabilities" in the consolidated balance sheet.

TCCs pertain to amount of tax credit for which the Group is allowed or entitled to in accordance with applicable laws and can be used to settle the Group's obligations due to the national government.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less impairment in value, if any.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes, borrowing costs and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period when the 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, plant and equipment.

Construction in progress, which is included in property, plant and equipment, is carried at cost. This includes cost of construction, equipment and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and become available for use.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

| | No. of years |
|---|---|
| Building | 5 to 25 |
| Kitchen and other operations equipment | 3 to 10 |
| Transportation equipment | 5 |
| Aviation equipment | 2 to 10 |
| Plant and technical equipment | 10 to 20 |
| Water pumps and machineries | 10 to 20 |
| Water pipelines | 10 |
| Drilling equipment | 5 |
| Office furniture, fixtures and equipment | 3 to 7 |

Building and leasehold and land improvements are amortized over the respective lease term or the lives of the assets (which range from 2 to 25 years), whichever is shorter.

Depreciation and amortization of an item of property, plant and equipment begins when the asset becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation and amortization ceases at the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* or the date the asset is derecognized, whichever is earlier.

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

When property, plant and equipment are sold or retired, their cost, related accumulated depreciation and amortization and any accumulated impairment in value are removed from the accounts. Any gain or loss resulting from their disposal is included in profit or loss.

Fully depreciated property, plant and equipment are retained in the accounts until these are no longer in use.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

*Net investment in the lease*

The Group recognizes assets held under a finance lease as net investment in the lease. The net investment in the lease is the gross investment discounted at the interest rate implicit in the lease. The gross investment in the lease is the aggregate of the minimum lease payments receivable by the Group, and any guaranteed and unguaranteed residual value. Initial direct costs are in the measurement of the net investment in the least at inception. The lease payments received from the lessee are treated as repayments of principal and finance income.

*Right-of-use assets*

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as presented below:

| | In Years |
|---|---|
| Land | 5 to 50 |
| Office space | 5 to 35 |

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of non-financial assets.

*Lease liabilities*

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the

Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term leases and leases of low-value assets*
The Group applies the short-term lease recognition exemption to its short-term leases of machinery, equipment, office space and staff house (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

*Group as lessor*
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases where the Group retains legal title to assets but passes substantially all the risks and rewards of ownership to the lessee in return for a stream of rentals are classified as finance leases. The Group recognizes assets held under a finance lease as an amount equal to the net investment in the lease as "Finance lease receivables." The net investment in the lease is the gross investment discounted at the interest rate implicit in the lease. The gross investment in the lease is the aggregate of the minimum lease payments receivable by the Group, and any guaranteed and unguaranteed residual value. Initial direct costs are in the measurement of the net investment in the least at inception. The lease payments received from the lessee are treated as repayments of principal and finance income.

Investment Property
Investment property, which pertains to a parcel of land held for appreciation in value and land and building held for rentals, are measured at cost less any impairment in value.

Investment property is derecognized when it has either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses resulting from the derecognition of an investment property is recognized in the profit or loss in the year of derecognition. Transfers are made to investment property when, and only when, there is a change in use, evidenced by cessation of owner-occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Service Concession Arrangements
The Group accounts for its service concession arrangements in accordance with Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, under the intangible asset model as it receives the right (license) to charge users of public service (see Note 14).

*Revenue and cost recognition.* The Group recognizes and measures revenue and cost in accordance with PFRS 15, for the services it performs. When the Group provides construction or upgrade services, the consideration received or receivable by the Group is recognized at its fair value. The revenue and cost from these services are recognized based on the percentage of completion measured principally on the basis of estimated completion of a physical proportion of the contract works, and by reference to the actual costs incurred to date over the estimated total cost of the project. The construction revenue and construction cost are reported as part of "Other income -net" in the consolidated statement of income.

*Contract assets ongoing construction.* During the construction phase of the arrangements, the Group's contract assets (representing its accumulating right to be paid for rehabilitation works) are presented as part of "Service concession assets" (SCA) for intangible asset model.

*Service concession right.* The service concession right is recognized initially at the fair value of construction works incurred, which include professional and consultancy fees, structural costs, etc. The Group applies PAS 38, *Intangible Assets,* on measuring the intangible assets. Following initial recognition, the service concession right is carried at cost less accumulated amortization and any impairment losses. Amortization period is based on the concession period.

The service concession right will be derecognized upon turnover to the grantor. There will be no gain or loss upon derecognition as the service concession right, which is expected to be fully amortized by then, will be handed over to the grantor with no or minimal consideration.

Intangible Assets

The Group recognizes an intangible asset acquired in a business combination if it is identifiable and distinguishable from goodwill. The Group considers an intangible asset as identifiable if:

- it is separable, i.e., there is evidence of exchange transactions for the asset or an asset of a similar type, even if those transactions are infrequent and regardless of whether the Group is involved in those transactions; or
- it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations ("contractual-legal" criterion).

The Group's intangible assets recognized from business combination pertain to customer relationship, customer contracts and right to use asset (i.e., extraction and distribution of water in certain provinces in the Philippines). The estimated useful life of the intangible assets follows:

| | No. of years |
|---|---|
| Customer relationships | 22 |
| Customer contracts | 18 |

The right to use of water permits is assessed to have an indefinite useful life.

Deferred Mine Exploration Costs

Expenditures for mine exploration works on mining properties (i.e., acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting the mineral resource) are deferred as incurred, carried at cost less any impairment in value and presented as "Deferred mine exploration costs" in the consolidated balance sheet. When, as a result of the exploration work, recoverable reserves are determined to be present in quantities that can be commercially produced, exploration expenditures and subsequent development costs are capitalized as

mine and mining properties and classified as part of property and equipment. A valuation allowance is provided for estimated unrecoverable deferred mine exploration costs based on the technical assessment by the Group of the future prospects of each mining property. Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale. If the project does not prove to be viable or when the project is abandoned, the deferred mine exploration costs associated with the project and the related impairment provisions are written off. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

Mining expenses, which are not related to establishing the technical feasibility and commercial viability of mineral resource extractions, are expensed outright.

Deferred Project Costs

Deferred project costs pertain to expenditures related to ongoing water projects where technical feasibility has been completed and the Group has the intention and ability (e.g., technical and financial) to complete the relevant activities to have grants from government authorities either to provide bulk or retail water services. Once grants from government authorities are awarded, the Group assesses whether these assets shall be accounted for under Philippine Interpretation IFRIC 12 or property and equipment. Deferred project costs are not amortized until these are transferred as property and equipment or either financial or intangible asset under IFRIC 12.

Nonrefundable Security Deposits

Nonrefundable security deposits are included as part of "Other noncurrent assets" which represent the difference between the face amount and the present value of refundable rental deposits made and are being amortized on a straight-line basis over the lease term. Amortization of nonrefundable security deposits is included under "Financing charges" account in profit or loss. Accretion of the refundable rental deposits using the effective interest method is included under "Interest income" account in profit or loss.

Impairment of Nonfinancial Assets

*Nonfinancial assets other than goodwill and intangible assets with indefinite life*

The Group assesses at each reporting date whether there is an indication that investments in associates, property and equipment, right-of-use asset, investment property, deferred project costs, service concession right and intangible assets with finite life may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. The Group also assesses its deferred mine exploration costs for impairment when facts and circumstances suggest that its carrying amount may exceed its recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is also 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 and recognized in profit or loss 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 or amortization, had no impairment loss been recognized for the asset in prior years. After such a reversal, the depreciation 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.

*Goodwill and intangible assets with indefinite life*
Goodwill and intangible assets with indefinite life are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash generating unit (or group of cash generating units) to which the goodwill relates or the intangible assets with indefinite life. Where the recoverable amount of the cash-generating unit to which goodwill has been allocated or the intangible assets with indefinite life is less than its carrying amount, an impairment loss is recognized immediately in profit or loss. Impairment losses relating to goodwill or intangible assets with indefinite life cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test at each end of the reporting date.

Revenue - Effective prior to January 1, 2018
Revenue is recognized to the extent that it is probable that the economic benefits associated to the transactions will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and sales taxes or duties. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all its major revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

*In-flight and other catering*
Catering revenue is recognized upon delivery of goods to and acceptance by airline clients and other customers.

*Rendering of services*
Revenue from ground handling, aviation and administrative services, charter flights, water service and exploratory drilling services is recognized when the related services are rendered.

*Rental income*
Rental income is accounted for on a straight-line basis over the lease term. The cumulative excess of rental income on a straight-line basis over the related rent collections is presented as "Accrued rental receivable" in the consolidated balance sheet.

*Interest income*
Interest income is recognized as the interest accrues using, where applicable, the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to the net carrying amount of the financial assets.

*Construction revenue*
See accounting policy under "Service Concession Right".

Revenue from Contracts with Customers - Effective starting January 1, 2018
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The Group has generally concluded that it is principal in its revenue arrangements because it typically controls the goods and services before transferring them to the customer.

*Sale of goods (beverage and dry store)*
Sale of beverage and dry store is recognized at point in time upon delivery of goods to and acceptance by airline clients and other customers.

*Rendering of services*
Revenue from inflight and other catering, ground handling, aviation and administrative services, charter flights, water service (including provision of potable water and treatment of sewage water) and exploratory drilling services is recognized over time when the related services are rendered.

The Group, through BTSI, also provides operation and maintenance of sewerage treatment plant ("STP") that is either performed separately or together with the construction of STP. The operation and maintenance of STP can be obtained from other providers and do not significantly customize or modify the construction of STP. Contracts for construction and operation and maintenance of STP comprise two separate and distinct performance obligations because each are capable of being distinct and separately identifiable.

In determining the transaction price for the construction and operation and maintenance of sewerage treatment plant, the Group allocates the transaction price based on relative stand-alone selling prices of the performance obligations. Further, the Group considers the effects of variable consideration and the existence of significant financing component.

Revenue from construction of STP is recognized over time as the construction of STP creates an asset that the customer controls as the STP is constructed. Revenue from operation and maintenance of STP is recognized over time as the customers simultaneously receive and consume the benefits provided by the Group.

*Variable consideration*
If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at the contract inception and is not constrained as it is not highly probable that a significant revenue recognized will occur as the uncertainty on the variable consideration will be resolved within a short time frame.

*Significant financing component*
Generally, the Group receives the consideration within the normal credit terms from its customers. Using the practical expedient in PFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of promised good or service to the customer will be one year or less.

The Group receives the consideration for BTSI's construction of STP over three to four years. The transaction price for such contracts is discounted using the rate that would be reflected in a separate financing transaction between BTSI and its customers at contract inception to take into consideration the significant financing component.

Interest income
Interest income is recognized as the interest accrues using, where applicable, the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to the net carrying amount of the financial assets.

Dividend income
Dividend income is recognized when the Group's right as a shareholder to receive the payment is established.

Other income
Other income is recognized when the right to receive payment is established.

Contract Balances
*Contract assets*
A contract asset is the right to consideration in exchange for goods and services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration before payment is due, a contract asset is recognized for the earned consideration that is conditional.

*Trade receivables*
A receivable represents the Group's right to an amount of consideration that is unconditional. Refer to accounting policies of financial assets in section Financial Assets and Financial Liabilities – initial recognition and subsequent measurement.

*Contract liabilities*
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods and services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Direct Costs, Selling Expenses and General and Administrative Expenses
Direct costs, which include expenses incurred by the Group for the generation of revenue from rendering of in-flight and other catering services, rental and administrative services, ground handling and aviation services, water treatment and distribution, exploratory services and charter flights are expensed as incurred.

Selling expenses, which include costs of advertising and promotion, and general and administrative expenses, which include the cost of administering the business, are not directly associated with the generation of revenue and are generally expensed as incurred.

Other Comprehensive Income
Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the profit or loss for the year in accordance with PFRSs. Other comprehensive income of the Group includes share in foreign currency translation adjustments on investment in associates, unrealized changes in fair value of financial assets held at FVTOCI, remeasurements in the Group's defined benefit plans and the Group's share in associates' remeasurements on defined benefit plans.

Employee Benefits

*Retirement benefits costs*

Retirement benefits costs are actuarially determined using the projected unit credit method. This method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each separately to build up the final obligation. Retirement benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset; and
- 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 profit or loss. 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 profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets (excluding amounts included in net interest on the net defined liability) and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The amount recognized as accrued retirement benefits payable or plan asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, if any, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

*Employee leave entitlement*

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period. For leave credits expected to be settled at the date of retirement or recognition, the liability is presented at its present value using assumptions consistent with those used

to discount retirement benefits. The expense recognized in profit or loss comprise the service cost, net interest of the liability and remeasurements.

*Short-term employee benefits*
Short-term employee benefits include items such as salaries and wages, social security contributions and nonmonetary benefits, if expected to be settled wholly within 12 months after the reporting date in which the employees rendered the related services. Short-term employee benefits are recognized as expense as incurred. When an employee has rendered service to the Group during the reporting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability (accrued expense), after deducting any amount already paid.

*Termination benefit*
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Borrowing Costs
Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs are capitalized if they are directly attributable to the acquisition, production or construction of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. Borrowing costs not qualified for capitalization are expensed as incurred.

Income Taxes
*Current income tax*
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax for the current and prior period, shall, to the extent unpaid, be recognized as a liability and is presented as "Income tax payable" in the consolidated balance sheet. If the amount already paid, including the cumulative creditable withholding taxes, in respect of the current and prior period exceeds the amount due for those periods, the excess shall be recognized as an asset under "Other current assets" in the consolidated balance sheet.

*Deferred income tax*
Deferred income tax assets and liabilities are provided, using the balance sheet liaility method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits

will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT and unused NOLCO can be utilized. Deferred income tax however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit.

Deferred income tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries, associates and interest in joint ventures. With respect to investments in other subsidiaries, associates and interests in joint ventures, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax assets to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized directly in equity is recognized in equity and those directly in comprehensive income are recognized in the consolidated statement of comprehensive income. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and 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 pretax 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 provisions due to the passage of time is recognized as an interest expense. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the Group's negotiation with the third party.

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued and outstanding.

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued

to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Retained Earnings
Retained earnings consist of appropriated and unappropriated balances. Appropriated retained earnings are restricted for specific purposes and/or are not available for dividend declaration. Unappropriated retained earnings are not restricted and include the cumulative balance of net income or loss, any dividend distributions, prior period adjustments and effects of any change in accounting policy.

*Dividend distributions*
Cash dividends on common shares are recognized as liability and deducted from retained earnings upon declaration by the BOD.

Stock dividends on common shares are measured based on the total par value of declared stock dividend. Stock dividends are deducted from retained earnings when the BOD's declaration is ratified by the stockholders of the Parent Company. Unissued stock dividends are recorded as stock dividends distributable and credited to capital stock upon issuance.

Dividends for the year that are declared after the end of the reporting period but before the approval for issuance of parent company financial statements are dealt with as an event after the reporting period.

Treasury Shares
Own equity instruments, which are reacquired, are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and consideration, if reissued, is recognized in "Additional paid-in capital" account.

Earnings Per Share
Basic earnings per share is computed by dividing net income for the year attributable to ordinary equity holders of the Company by the weighted average number of shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net income by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued upon conversion of all dilutive potential ordinary shares. The effect of stock dividends, if any, is accounted for retrospectively. The Company has no potentially dilutive shares as of December 31, 2019 and 2018.

Events After the Reporting Date
Post-year-end events that provide additional information about the Group's position at the reporting date (adjusting events), if any, are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

Segment Information
The Group's operating businesses are organized and managed separately according to the nature of the aviation-support service provided by its four subsidiaries, maintenance, repairs and overhaul, mining-related activities and water treatment and distribution. This is the basis on which the Group reports its primary segment information. The Group also monitors the revenue and operating results of its associates. Information with respect to these subsidiaries, as well as the Group's associates, are disclosed in Notes 4 and 9. The Group's geographic segment is the Philippines only. The Group operates and derives all its revenue from domestic operation.

## 3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in acordance with PFRSs requires the Group to exercise judgments, make estimates and use assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments

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

*Determination of the Group's functional currency*

Judgment is exercised in assessing various factors in determining the functional currency of each entity within the Group. These include the prices of goods and services, competition, cost and expenses, and other factors including the currency in which financing is primarily undertaken.

The Group, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be Peso. It is the currency of the primary economic environment in which the Group operates. The functional currencies of LTP and JASCO, the Group's associated companies (see Notes 2 and 9), has been determined to be US$ and JPY, respectively.

*Revenue from contracts with customers*

The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Determination of the timing of satisfaction of performance obligation*
  *In- flight and other catering, ground handling and aviation, and water services*
  The Group assessed that performance obligation for inflight and other catering, except for dry store and beverage, ground handling and aviation and water services are rendered to the customers over time. As a result, the Group's revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment.

  *Sale of dry store and beverage*
  The Group assessed that performance obligation for sale of dry store and beverage are satisfied at a point in time. The Group uses its judgment on when a customer obtains control of the promised goods. The Group has assessed that the actual delivery of the goods to the customer is the point in time when the performance obligation has been satisfied.

- *Allocation of total transaction price between construction and operation and maintenance of STP*
  Management determined that the contractually agreed price for construction of STP does not depict the amount the Group expects to receive for the performance obligation as the costs of STP are also expected to be recovered through the fees from operation and maintenance. Accordingly, the Group determined that the total transaction price of construction and operation and maintenance (i.e., the performance obligations) of STP needs to be allocated. This required the estimation of each of the performance obligation's stand-alone selling prices based on expected value method. The Group estimates consideration from the construction of STP based on expected gross margin. On the other hand, the Group estimates the variable consideration from operation and maintenance of STP based on the historical patterns of water consumption and room capacity of the Group's customers.

The revenue recognized for the construction and the operation and maintenance of STP amounted to ₱5.0 million and ₱15.8 million in 2019, and ₱112.8 million and ₱0.4 million in 2018. Contract assets which will be realized as receivables as the Group renders operation and maintenance, amounted to ₱20.8 million and ₱28.3 million as of December 31, 2019 and 2018, respectively (see Notes 6 and 19).

*Assessment of control or significant influence over the investee*
The Group makes an assessment whether or not it controls an investee by considering all relevant facts and circumstances which indicate that the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. A reassessment is made if circumstances indicate that there are changes in these control elements. The Group has significant influence over an investee if it only has the power to participate in the financial and operating policy decisions, but not control or jointly control over the investee. As of December 31, 2019 and 2018, the Group still determined that it controls its subsidiaries and has significant influence over its associates (see Note 10).

*Assessment of operators under Philippine Interpretation IFRIC 12*
Management has assessed that memoranda of agreement with the Municipality of Solano, Nueva Vizcaya (Solano) to provide water distribution facilities and with the Municipality of Naic Cavite (Naic) to develop and operate water supply and distributions system are covered by the Philippine Interpretation IFRIC 12. The memoranda of agreement qualify under the intangible asset model with respect to the operation of the waterwork facilities as the Group has the right (license) to charge users of public service (see Note 14).

*Classification of leases - the Group as a lessor*
The Group has entered into short-term leases, which provide no transfer of ownership to the lessee. The Group has determined that, based on an evaluation of the terms and conditions of the arrangements, it retains all the significant risks and rewards of ownership of these equipment and accounts for these as operating leases.

*Determining the lease term of contracts with renewal and termination options - Group as a lessee*
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases which are renewable at the option of the lessee. The Group typically exercises its option to renew for these leases because of significant permanent improvement introduced in the leased premises. The renewal periods for leases are not included as part of the lease term if option to renew is at lessor's discretion or leases which renewal depends on mutual consent of contracting parties as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Refer to Note 28 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

*Contingencies*
The Group, in its normal course of business, is involved in various legal cases and claims. Based on management's assessment, the Group will be able to defend its position on these cases and that the ultimate outcome will not have a significant impact on the Group's consolidated financial statements. Accordingly, no provision has been recognized for these contingencies. LTP, the most significant associate of the Group also assesses the need to recognize the provisions based on the status of the claims (see Note 9).

Estimates and Assumptions
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects that period, or in the period of revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing material adjustment to the carrying amounts of the Group's assets and liabilities follow.

*Determination of fair values in business combination and goodwill*
The Group accounts for the acquired businesses using the acquisition method, which requires the identification of the assets and liabilities of the acquired entities and the determination of their fair values on acquisition date. Management exercises significant judgment and estimation to allocate the purchase price to the fair values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date.

On acquisition of the investment in JASCO, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for either as goodwill included in the carrying amount of the investment relating to an associate or a joint venture or as income in the determination of the Company's share of the associate's profit or loss in the period in which the investment is acquired.

On the acquisition of NAWASCOR and SWRI, any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill or gain on bargain purchase in profit or loss.

As of December 31, 2019, investment in JASCO amounted to ₱853.8 million which includes a provisional goodwill amounting to ₱799.1 million (see Notes 9 and 10).

In 2019 and 2018, management finalized the purchase price allocation of the acquisition of SWRI in 2018 and NAWASCOR in 2017 which resulted in recognition of goodwill amounting to ₱27.4 million and ₱36.9 million, respectively (see Notes 10 and 14).

*Determination of fair value of financial instruments*
When the fair values of financial assets and financial liabilities recorded in the parent company balance sheet cannot be measured based on quoted prices in active markets, their fair values is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these assumptions about these factors could affect the reported fair value of financial instruments (see Note 32).

*Leases - estimating the incremental borrowing rate*
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group 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 IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

*Provision for expected credit losses*
The Group uses a provision matrix to calculate ECLs for financial assets at amortized cost. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analyzed.

The assessment of the correlation between observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

As of December 31, 2019 and 2018, the Group's trade receivables from related parties amounted to ₱1,175.0 million and ₱361.2 million, net of allowance amounting to ₱4.4 million (i.e., accounts for 61% and 40.6% of the total receivables and contract assets), respectively (see Note 18). The related party which comprise the significant portion of the Group's total receivable has been incurring losses resulting to a deficit and a negative working capital. We assessed that the carrying amount of the trade receivable from related parties are collectible.

The Group has a segmentation of its credit risk exposures based on homogeneity of credit risk characteristics and credit risk management policies to identify defaulting customers using observable inputs such as historical loss rates, recoveries and write offs. The Group has also applied forward-looking information for its overlay through statistical test and corroboration using publicly available information.

The Group's receivables and contract assets, net of allowance for the expected credit losses of ₱15.5 million and ₱14.9 million, amounted to ₱1,925.7 million and ₱900.4 million as of December 31, 2019 and 2018, respectively (see Note 6).

*Determination of NRV of inventories*
The Group estimates the NRV of inventories based on the most reliable evidence available at the time the estimates are made. These estimates consider the fluctuations of prices or costs directly relating to events occurring after the reporting date to the extent that such events affect the value of inventories. Other factors include the age of the inventories and Company's experience on write-off and expirations.

The Group did not identify any factors which indicate inventory obsolescence based on the above discussions. Accordingly, no provision was recognized in 2019, 2018 and 2017.

The Group's inventories carried at cost as of December 31, 2019 and 2018 amounted to ₱106.0 million and ₱88.8 million, respectively (see Note 7).

*Estimating allowances for probable losses on input taxes and TCCs*
The Group estimates the level of provision for probable losses on input taxes and TCCs based on the experience of the Group and assessment of counsels assisting the Group in processing the claims and negotiating the realization of TCCs. As of December 31, 2019 and 2018, the carrying value of input taxes and TCCs amounted to ₱446.9 million and ₱334.3 million, respectively. Allowance for probable losses amounted to ₱24.7 million and ₱47.8 million, respectively (see Note 8).

*Estimation of useful lives of property, plant and equipment*
The Group estimates the useful lives of property, plant and equipment based on the internal technical evaluation and experience with similar assets. In cases where the use of property, plant and equipment is dependent on the grant of certain permits to conduct its business, management considers the probability of renewal of such permits based on past experience. In this situation, useful lives of property, plant and equipment are based on the economic useful lives rather than the currently effective period of the permits. Estimated useful lives are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. There is no change in the estimated useful lives of property, plant and equipment in 2019, 2018 and 2017.

The carrying value of property, plant and equipment subject to depreciation as of December 31, 2019 and 2018 amounted to ₱2,095.6 million and ₱1,015.9 million, respectively (see Note 12).

*Estimation of useful life of service concession right*
At the start of operation of the water work facilities, the service concession right is to be amortized over the concession period as provided in the agreements with relevant government units. The amortization period is reviewed when there are changes in the expected term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset. In 2018, NAWASCOR was granted additional concession period of 15 years by the Municipality of Naic, Cavite. Accordingly, NAWASCOR changed the useful life of its service concession right from 25 years to 40 years (see Note 29).

Amortization for the service concession right amounted to ₱20.0 million, ₱18.9 million and ₱18.7 million in 2019, 2018 and 2017, respectively. The carrying value of the service concession right amounted to ₱424.6 million and ₱429.7 million as of December 31, 2019 and 2018, respectively (see Note 14).

*Estimation of useful life of intangible assets acquired as part of business combination*
The assigned useful lives of intangible assets acquired as part of business combination are estimated based on the period over which the asset is expected to be available for use. Such estimation is based on collective assessment of similar businesses, internal evaluation and experience with similar assets. Further, management considers the probability of renewal of certain permits and the cost and efforts in renewing such permits based on past experience. The useful life of each asset is reviewed at each financial year and updated if expectations differ from previous estimates due to technical or commercial obsolescence and legal or other limits on the use of the asset. There were no changes in the estimated useful lives of customer contract and relationships, while right to use asset is assessed to have indefinite useful life due to minimal efforts required to renew certain permits to extract and distribute water in relevant provinces based on past experience.

The total carrying value of the customer contract and relationships, and the right to use of water permits amounted to ₱174.3 million and ₱145.5 million as of December 31, 2019 and 2018, respectively (see Note 14).

*Determination of impairment indicators and impairment testing of nonfinancial assets*

*Nonfinancial assets other than goodwill and intangible assets with indefinite life*
The Group assesses at each reporting date whether there is any indication that its nonfinancial assets other than goodwill and intangible assets with indefinite life (i.e., investments in associates, property, plant and equipment, right-of-use assets, investment property, service concession right, intangible assets, deferred project costs, deferred mine exploration costs) may be impaired. Also, the Group assesses whether facts and circumstances suggest that carrying amount of deferred mine exploration costs may exceed its recoverable amount. The factors that the Group considers important which could trigger an impairment review included the following, among others:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the overall business strategy; and,
- significant negative industry or economic trends.

If such indication exists, the Group performs impairment testing to estimate the recoverable amount of the related asset. Management determined certain facts which indicate impairment of the service concession right which required impairment testing as of December 31, 2019 and 2018.

The carrying values of the nonfinancial assets are as follows:

| | **2019** | 2018 (As restated, Notes 2 and 10) |
|---|---|---|
| Investments in associates (Note 9) | **₱3,087,533,060** | ₱2,285,668,180 |
| Property, plant and equipment (Note 12) | **2,561,076,769** | 2,065,540,597 |
| Right-of-use assets (Note 28) | **499,566,989** | 533,951,573 |
| Investment property (Note 13) | **143,852,303** | 143,852,303 |
| Service concession right (Note 14) | **424,608,123** | 429,702,669 |
| Customer contract and relationships (Note 14) | **61,646,255** | 65,036,659 |
| Deferred project costs (Note 15) | **57,013,350** | 56,813,350 |
| Deferred mine exploration costs (Notes 15 and 30) | **20,418,948** | 20,418,948 |

As December 31, 2019 and 2018, management assessed that there are no impairment indicators on the nonfinancial assets, except for SNVRDC's service concession right and deferred mine exploration costs.

For the purpose of impairment testing of SNVRDC's service concession right, recoverable amount is determined based on the value-in-use using cash flow projections based on financial budgets as approved by management covering 20 years of projections, coterminous to the term of the concession agreement with the Municipality of Solano. The projected cash flows are based on expectations of future outcomes considering past experience, adjusted for anticipated revenue growth based on management's future plans. The discount rate is a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The pre-tax discount rate used is 8.5% and 14.5% in 2019 and 2018, respectively. Refer to Note 14 on the discussions of assumptions which are most sensitive to impact the calculated value-in-use. Based on the impairment test, the recoverable amount of the service concession right exceeds its carrying value. Managemnt

believes that any reasonable possible change in any of the assumptions used would not cause the carrying value to exceed its recoverable amount.
The carrying value of the service concession right subjected to impairment testing amounted to ₱267.5 million and ₱281.9 million as of December 31, 2019 and 2018, respectively (see Note 14).

*Goodwill and intangible assets with indefinite life*
For goodwill and intangible assets with indefinite useful life, the Group performs impairment testing at least on an annual basis or more frequently, if events or changes in circumstances indicate that it may be impaired. For the purpose of impairment testing, goodwill has been allocated to BTSI group, NAWASCOR, SWRI and MACS in 2019 and 2018 as the cash generating units.

The recoverable amounts of the cash-generating units have been determined based on a value-in-use calculation using cash flow projections based on financial budgets as approved by management covering five years of projections. The projected cash flows are based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth based on management's future plans. Cash flows beyond the forecast period are extrapolated into perpetuity assuming four percent (4%) growth rate for impairment test purposes. The discount rate is a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The pre-tax discount rate used ranges 8.4% to 9.0% in 2019 and 15.4% to 17.0% in 2018.

The carrying value of goodwill subjected to impairment testing amounted to ₱127.8 million as of December 31, 2019 and 2018 (see Note 14).

For the right to use of water permits, the recoverable amount is determined based on fair value less cost to sell calculations determined by discounting notional royalty savings after tax. These calculations use net sales projections and the related royalty savings based on a five-year projection. Net sales beyond the forecast period are extrapolated into perpetuity assuming four percent (4%) growth rate for impairment test purposes. Management considered the impact of cost to sell in the calculations of fair value less cost to sell as negligible. The royalty rate is the average of royalty rates for water distribution entities, while the discount rate was a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The royalty rate applied is 1.6% while pre-tax discount rates used range from 8.4% and 17.0% in 2019 and 2018, respectively.

The carrying value of right to use of water permits amounted to ₱112.6 million and ₱80.5 million as of December 31, 2019 and 2018, respectively (see Note 14).

Management believes that no reasonably possible change in any of the assumptions used would cause the carrying values of the goodwill and right to use asset to exceed their recoverable amounts. Based on management's assessment, the recoverable amounts of these assets are higher than their carrying values, thus no impairment loss was recognized in 2019, 2018 and 2017.

*Impairment of deferred mine exploration costs*
For deferred mine exploration costs, the Group considers its ability to secure the necessary permits to continue its exploration activities within the mining tenements and the probability of subsequent operations of mining tenements. The recovery of deferred mine exploration costs depends upon the success of exploration activities, the discovery of recoverable reserves in quantities that can be commercially produced and future development of the mining properties, including grants of necessary permits.

While the Group finds its Mineral Production Sharing Agreements (MPSAs) for its Infanta Nickel Project valid and subsisting as affirmed by the MGB through the Department of Environment and Natural Resources (DENR), the Group assessed the prevailing mining prospects does not support for

nickel mining. Accordingly, management believes that the provision for probable loss amounting to ₱212.9 million recognized in 2016 is still appropriate as of December 31, 2019 and 2018. Further, the Group also has an ongoing case with a government agency relating to a necessary permit before the Group can file a Declaration of Mine Feasibility (see Note 30).

*Estimation of retirement benefits costs and obligation, and accumulating leave credits*
The cost of defined benefit pension plans, as well as the present value of the pension obligation is, determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All significant assumptions are reviewed at each reporting date. The calculation of accumulating leave credits follows the same assumptions as the defined benefit costs.

In determining the appropriate discount rate, management considers the interest rates of government bonds, adjusted to zero coupon rates, with term consistent with the obligation of the plan.

Accrued retirement and other employee benefits payable amounted to ₱93.1 million and ₱29.1 million as of December 31, 2019 and 2018, respectively (see Note 21). Pension asset amounted to ₱1.7 million and ₱37.2 million as of December 31, 2019 and 2018, respectively, and is included under "Other noncurrent assets" account (see Note 15). Retirement benefits cost amounted to ₱40.7 million, ₱25.9 million, and ₱22.4 million in 2019, 2018 and 2017, respectively (see Note 21).

*Estimation of provisions for probable loss*
The Group is a party to certain claims arising from the normal course of business. The estimate of probable costs of possible claims has been developed in consultation with the Company's legal counsel and is based upon an analysis of potential results. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the Company's negotiation with the third party.

LTP, the significant associate, has recognized provisions as of December 31, 2019 and 2018 which relate to certain claims by third parties. LTP's management exercised significant judgment in assessing the probability of the claims based on historical experience. LTP has recognized provisions amounting to ₱815.4 million and ₱950.6 million as of December 31, 2019 and 2018, respectively, which are included as part of LTP's "Current liabilities." The provision (reversal of provision) for probable losses and claims recognized in profit or loss amounted to (₱96.7 million) in 2019 , ₱259.4 million in 2018 and (₱241.5 million) in 2017 which are included as part of "General and administrative expenses" of LTP's summarized financial information (see Note 9).

*Recognition of deferred income tax assets*
The Group reviews the carrying amounts of deferred income tax assets (gross of deferred income tax liabilities) at each reporting date and adjusts the balance of deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The determination of future taxable income, which will establish the amount of deferred income tax assets that can be recognized, requires the estimation and use of assumptions about the Group's future income and timing of reversal of temporary differences, unused NOLCO and excess MCIT over RCIT.

Gross deferred income tax assets recognized, which relate primarily to operating subsidiaries, amounted to ₱57.2 million and ₱46.8 million as of December 31, 2019 and 2018, respectively. The Group also has unrecognized deferred income taxes primarily on the non-operating subsidiaries' temporary differences, NOLCO and MCIT (see Note 25).

## 4. Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the aviation-support services provided by the four subsidiaries, mining-related activities and water-related projects, which is the basis on which the Group reports its primary segment information. The Group also monitors its share in the results of operations of its associates (LTP, CPCS and JASCO) that are accounted for using the equity method.

The operations of the Group's segments are described as follows:

- In-flight and other catering segment, which is operated by MACS and through the Company's interest in CPCS, refers to servicing of meal requirements of certain foreign and domestic passenger airlines, as well as certain passenger terminal lounges at the NAIA and the MDA, and of certain non-airline institutional accounts.

- Ground handling and aviation segment, which is operated by MASCORP and MAATS, refers to both ramp and passenger handling and aviation services to foreign airlines and domestic carriers at NAIA, MCIA, KIA, Davao International Airport, Tuguegarao Airport and Clark International Airport. In 2019, the Company acquired 30% ownership in JASCO, a ground handling and aviation service company operating in Japan (see Note 9).

- Maintenance, repairs and overhaul (MRO), which is operated through the Company's interest in LTP, pertains to rendering of MRO services of Airbus and Boeing aircraft for certain airlines.

- Administrative segment, which is primarily operated through MAPDC, refers to the sub-lease of the MacroAsia Ecozone at NAIA (see Note 28), which MAPDC leases from Manila International Airport Authority (MIAA) with LTP as the anchor locator (see Note 18).

- Charter flights segment, was operated by MAATS up to 2016, refers to international and domestic chartered flights from its base at the General Aviation Area, MDA to any point within the Philippines, through alliances with other helicopter owners.

- Water treatment and distribution segment, which is operated through SNVRDC, BTSI, NAWASCOR and SWRI. The Group has on-going water related projects which pertain to the development (e.g., studies, surveys) and construction of water-treatment facilities activities, which are undertaken by MAPDC and its other subsidiaries. The Group, through BTSI, is also engaged in the construction, operation and maintenance of sewage treatment facilities.

- Mining segment, which is operated through MMC, refers to mining-related activities of the Group. This segment refers to expenditures for exploration activities and rendering of exploration-related services.

The Group has only one geographic segment. Of the Group's total revenue, ₱3,478.7 million (or 57%), ₱941.4 million (or 27%) and ₱810.2 million (or 28%) in 2019, 2018 and 2017, respectively, was derived from two customers. For this purpose, the customers pertain to entities known to the Group to be under common control.

Segment assets include the operating assets used by a segment and consist principally of cash and cash equivalents, receivables, inventories, other current assets, and property, plant and equipment, net investment in the lease, and right-of-use assets, net of allowances, depreciation and amortization and any impairment in value. Segment liabilities include all operating liabilities and consist principally of notes payable, accounts payable and accrued liabilities, and lease liabilities. Segment assets and liabilities do not include deferred income tax. Segment results pertain to operating income.

Financial information on the Group's business segments as of and for the years ended December 31 are presented below. The amounts disclosed were determined consistent with the measurement basis under PFRSs.

For the year ended December 31, 2019:

| | Inflight and Other Catering | Ground Handling and Aviation | Maintenance, Repairs and Overhaul | Administrative | Water Treatment and Distribution | Mining | Eliminations, Adjustments and Others | Total |
|---|---|---|---|---|---|---|---|---|
| Segment revenue | **₱2,905,490,152** | **₱2,869,563,325** | **₱–** | **₱30,995,437** | **₱363,929,639** | **₱15,437,718** | **(₱17,585,164)** | **₱6,167,831,107** |
| Direct costs | **(2,077,705,460)** | **(2,424,663,739)** | **–** | **(43,681,283)** | **(290,994,070)** | **(24,338,457)** | **45,523,634** | **(4,815,859,375)** |
| Gross profit (loss) | **827,784,692** | **444,899,586** | **–** | **(12,685,846)** | **72,935,569** | **(8,900,739)** | **27,938,470** | **1,351,971,732** |
| Equity in net earnings of associates | **39,838,392** | **10,220,156** | **1,010,579,024** | **–** | **–** | **–** | **16,622,831** | **1,077,260,403** |
| | **867,623,084** | **455,119,742** | **1,010,579,024** | **(12,685,846)** | **72,935,569** | **(8,900,739)** | **44,561,301** | **2,429,232,135** |
| Operating expenses | **(503,933,784)** | **(234,787,015)** | **–** | **(39,390,549)** | **(109,362,698)** | **(11,014,917)** | **(140,031,726)** | **(1,038,520,689)** |
| Interest income | **676,310** | **245,901** | **–** | **181,030** | **3,785,216** | **39,982** | **6,846,876** | **11,775,315** |
| Financing charges | **(8,661,964)** | **(23,672,166)** | **–** | **(21,401,559)** | **(27,234,983)** | **(47,868)** | **(7,358,717)** | **(88,377,257)** |
| Foreign exchange gain – net | **(16,343,669)** | **2,028,825** | **–** | **(8,775)** | **–** | **–** | **31,776,233** | **17,452,614** |
| Other income (charges) | **5,273,690** | **7,586,457** | **–** | **14,714,155** | **69,828,740** | **–** | **(43,597,905)** | **53,805,137** |
| Income (loss) before income tax | **344,633,667** | **206,521,744** | **1,010,579,024** | **(58,591,544)** | **9,951,844** | **(19,923,542)** | **(107,803,938)** | **1,385,367,255** |
| Provision for income tax | **(113,090,326)** | **(63,854,240)** | **–** | **2,433,893** | **(11,518,504)** | **(35,260)** | **(5,276,745)** | **(191,341,182)** |
| Segment profit (loss) | **₱231,543,341** | **₱142,667,504** | **₱1,010,579,024** | **(₱56,157,651)** | **(₱1,566,660)** | **(₱19,958,802)** | **(₱113,080,683)** | **₱1,194,026,073** |
| Depreciation and amortization expense | **₱56,826,964** | **₱79,022,380** | **₱–** | **₱28,412,748** | **₱81,471,246** | **₱7,051,984** | **₱16,109,543** | **₱268,894,865** |
| Segment profit (loss) attributable to: | | | | | | | | |
| Equity holders of the Company | **168,280,708** | **144,361,564** | **1,010,579,024** | **(56,157,651)** | **(4,958,146)** | **(19,958,802)** | **(113,080,683)** | **1,129,066,014** |
| Non-controlling interests | **63,262,633** | **(1,694,060)** | **–** | **–** | **3,391,486** | **–** | **–** | **64,960,059** |

Other financial information of the operating segments as of December 31, 2019 is as follows:

| | Inflight and Other Catering | Ground Handling and Aviation | Maintenance, Repairs and Overhaul | Administrative | Water Treatment and Distribution | Mining | Eliminations, Adjustments and Others | Total |
|---|---|---|---|---|---|---|---|---|
| Assets: | | | | | | | | |
| Current assets | **₱1,328,603,594** | **₱1,318,535,029** | **₱–** | **₱485,251,419** | **₱366,185,241** | **₱24,355,264** | **₱76,922,130** | **₱3,599,852,677** |
| Noncurrent assets | **1,285,824,838** | **754,384,139** | **–** | **2,602,716,520** | **1,377,545,611** | **8,138,487** | **2,859,506,752** | **8,888,116,347** |
| | **₱2,614,428,432** | **₱2,072,919,168** | **₱–** | **₱3,087,967,939** | **₱1,743,730,852** | **₱32,493,751** | **₱2,936,428,882** | **₱12,487,969,024** |
| Liabilities: | | | | | | | | |
| Current liabilities | **₱1,128,325,494** | **₱1,466,786,412** | **₱–** | **₱1,114,389,640** | **₱1,059,563,910** | **₱19,482,887** | **(₱1,905,477,337)** | **₱2,883,071,006** |
| Noncurrent liabilities | **563,225,184** | **86,168,380** | **–** | **1,679,909,373** | **302,432,695** | **4,814,043** | **130,505,189** | **2,767,054,864** |
| | **₱1,691,550,678** | **₱1,552,954,792** | **₱–** | **₱2,794,299,013** | **₱1,361,996,605** | **₱24,296,930** | **(₱1,774,972,148)** | **₱5,650,125,870** |
| Equity attributable to: | | | | | | | | |
| Equity holders of the Company | **₱886,015,121** | **₱500,984,160** | **₱–** | **₱293,668,926** | **₱238,790,959** | **₱8,196,821** | **₱4,496,498,904** | **₱6,424,154,891** |
| Non-controlling interests | **36,862,633** | **18,980,216** | **–** | **–** | **142,943,288** | **–** | **214,902,126** | **413,688,263** |
| Investments in associates | **50,212,737** | **854,978,597** | **2,151,339,726** | **–** | **31,002,000** | **–** | **–** | **3,087,533,060** |
| Additions to noncurrent assets - | | | | | | | | |
| Property, plant and equipment | **590,839,266** | **437,856,059** | **–** | **20,193,391** | **174,545,577** | **–** | **50,670,985** | **1,274,105,278** |

For the year ended December 31, 2018 (As restated, Notes 2 and 10):

| | Inflight and Other Catering | Ground Handling and Aviation | Maintenance, Repairs and Overhaul | Administrative | Water Treatment and Distribution | Mining | Eliminations, Adjustments and Others | Total |
|---|---|---|---|---|---|---|---|---|
| Segment revenue | ₱1,663,770,983 | ₱1,463,947,551 | ₱– | ₱209,630,059 | ₱284,200,794 | ₱– | (₱194,929,977) | ₱3,426,619,410 |
| Direct costs | (1,102,589,553) | (1,176,064,366) | – | (234,940,224) | (245,222,996) | (13,666,586) | 173,098,145 | (2,599,385,580) |
| Gross profit (loss) | 561,181,430 | 287,883,185 | – | (25,310,165) | 38,977,798 | (13,666,586) | (21,831,832) | 827,233,830 |
| Equity in net earnings of associates | 47,549,870 | – | 1,011,684,062 | – | – | – | 10,780,656 | 1,070,014,588 |
| | 608,731,300 | 287,883,185 | 1,011,684,062 | (25,310,165) | 38,977,798 | (13,666,586) | (11,051,176) | 1,897,248,418 |
| Operating expenses | (361,623,558) | (156,981,223) | – | (48,739,360) | (64,940,278) | (13,238,254) | (65,189,675) | (710,712,348) |
| Interest income | 3,076,525 | 113,745 | – | 1,424,990 | 839,735 | 36,650 | 5,584,956 | 11,076,601 |
| Financing charges | – | (11,778,682) | – | (1,248,148) | (7,814,001) | – | (30,512,969) | (51,353,800) |
| Foreign exchange gain – net | 10,620,586 | 29,565 | – | 107,187 | – | – | 16,657,548 | 27,414,886 |
| Other income (charges) | 16,761,710 | 7,396,382 | – | 18,448,442 | 8,806,346 | (55,050) | (21,591,707) | 29,766,123 |
| Income (loss) before income tax | 277,566,563 | 126,662,972 | 1,011,684,062 | (55,317,054) | (24,130,400) | (26,923,240) | (106,103,023) | 1,203,439,880 |
| Provision for income tax | (74,746,606) | (40,072,511) | – | (1,178,298) | (3,373,516) | (7,330) | 2,038,615 | (117,339,646) |
| Segment profit (loss) | ₱202,819,957 | ₱86,590,461 | ₱1,011,684,062 | (₱56,495,352) | (₱27,503,916) | (₱26,930,570) | (₱104,064,408) | ₱1,086,100,234 |
| | | | | | | | | |
| Depreciation and amortization expense | ₱47,398,159 | ₱52,754,576 | ₱– | ₱4,880,352 | ₱47,148,621 | ₱7,232,532 | ₱52,723,268 | ₱212,137,508 |
| Segment profit (loss) attributable to: | | | | | | | | |
| Equity holders of the Company | 151,580,828 | 86,590,461 | 1,011,684,062 | (56,495,352) | (24,644,348) | (26,930,570) | (90,542,506) | 1,051,242,575 |
| Non-controlling interests | 51,239,129 | – | – | – | (2,859,568) | – | (13,521,902) | 34,857,659 |

Other financial information of the operating segments as of December 31, 2018 (As restated, Notes 2 and 10) is as follows:

| | Inflight and Other Catering | Ground Handling and Aviation | Maintenance, Repairs and Overhaul | Administrative | Water Treatment and Distribution | Mining | Eliminations, Adjustments and Others | Total |
|---|---|---|---|---|---|---|---|---|
| Assets: | | | | | | | | |
| Current assets | ₱714,036,409 | ₱599,004,605 | ₱– | ₱553,526,435 | ₱158,102,316 | ₱24,130,038 | (₱195,534,080) | ₱1,853,265,723 |
| Noncurrent assets | 1,121,869,122 | 530,200,813 | – | 1,145,591,135 | 1,230,952,425 | 13,770,002 | 3,667,043,632 | 7,709,427,129 |
| | ₱1,835,905,531 | ₱1,129,205,418 | ₱– | ₱1,699,117,570 | ₱1,389,054,741 | ₱37,900,040 | ₱3,471,509,552 | ₱9,562,692,852 |
| Liabilities: | | | | | | | | |
| Current liabilities | ₱697,487,097 | ₱673,931,350 | ₱– | ₱1,153,780,429 | ₱757,418,922 | ₱6,050,003 | (₱1,934,401,261) | ₱1,354,266,540 |
| Noncurrent liabilities | 370,005,636 | 62,522,978 | – | 148,495,634 | 272,591,776 | 2,489,265 | 1,753,934,151 | 2,610,039,440 |
| | ₱1,067,492,733 | ₱736,454,328 | ₱– | ₱1,302,276,063 | ₱1,030,010,698 | ₱8,539,268 | (₱180,467,111) | ₱3,964,305,980 |
| Equity attributable to: | | | | | | | | |
| Equity holders of the Company | ₱716,856,432 | ₱392,751,090 | ₱– | ₱396,841,507 | ₱361,903,610 | ₱29,360,772 | ₱3,337,580,796 | ₱5,235,294,207 |
| Non-controlling interests | 51,556,366 | – | – | – | (2,859,567) | – | 314,395,866 | 363,092,665 |
| Investments in associates | 30,374,348 | – | 2,453,279,160 | – | 31,002,000 | – | (228,987,328) | 2,285,668,180 |
| Additions to noncurrent assets - | | | | | | | | |
| Property, plant and equipment | 536,572,091 | 222,925,259 | – | 67,181,093 | 205,073,263 | – | 5,071,129 | 1,036,822,835 |

For the year ended December 31, 2017 (As restated, Note 2):

| | Inflight and Other Catering | Ground Handling and Aviation | Maintenance, Repairs and Overhaul | Administrative | Water Treatment and Distribution | Mining | Eliminations, Adjustments and Others | Total |
|---|---|---|---|---|---|---|---|---|
| Segment revenue | ₱1,541,538,496 | ₱1,031,617,643 | ₱– | ₱213,042,562 | ₱168,776,671 | ₱27,259,722 | (₱211,444,857) | ₱2,770,790,237 |
| Direct costs | (1,006,099,235) | (807,537,737) | – | (187,622,410) | (133,107,533) | (27,433,991) | 176,890,311 | (1,984,910,595) |
| Gross profit (loss) | 535,439,261 | 224,079,906 | – | 25,420,152 | 35,669,138 | (174,269) | (34,554,546) | 785,879,642 |
| Equity in net earnings of associates | 39,544,851 | – | 928,398,664 | – | – | – | 10,565,393 | 978,508,908 |
| | 574,984,112 | 224,079,906 | 928,398,664 | 25,420,152 | 35,669,138 | (174,269) | (23,989,153) | 1,764,388,550 |
| Operating expenses | (338,499,612) | (131,033,078) | – | (63,142,533) | (70,168,756) | (7,330,889) | 8,746,134 | (601,428,734) |
| Interest income | 2,547,473 | 120,490 | – | 1,231,728 | 17,127 | 5,543 | 4,559,985 | 8,482,346 |
| Financing charges | – | (2,557,187) | – | (1,082,649) | (553,518) | – | (28,959,925) | (33,153,279) |
| Foreign exchange gain – net | 822,505 | 2,235,669 | – | 40,560 | – | – | 780,398 | 3,879,132 |
| Other income (charges) | 5,826,430 | 11,772,560 | – | 2,107,879 | 21,545,728 | – | (843,838) | 40,408,759 |
| Income (loss) before income tax | 245,680,908 | 104,618,360 | 928,398,664 | (35,424,863) | (13,490,281) | (7,499,615) | (39,706,399) | 1,182,576,774 |
| Provision for income tax | (78,102,981) | (34,514,780) | – | (868,720) | (5,556,544) | (10,566) | 2,630,559 | (116,423,032) |
| Segment profit (loss) | ₱167,577,927 | ₱70,103,580 | ₱928,398,664 | (₱36,293,583) | (₱19,046,825) | (₱7,510,181) | (₱37,075,840) | ₱1,066,153,742 |
| Depreciation and amortization expense | ₱37,271,687 | ₱46,275,425 | ₱– | ₱3,914,202 | ₱41,731,390 | ₱8,130,962 | ₱46,228,841 | ₱183,552,507 |
| Segment profit (loss) attributable to: | | | | | | | | |
| Equity holders of the Company | 120,262,901 | 70,103,580 | 928,398,664 | (36,293,583) | (20,761,020) | (7,510,181) | (31,478,722) | 1,022,721,639 |
| Non-controlling interests | 47,315,026 | – | – | – | 1,714,195 | – | (5,597,118) | 43,432,103 |

Other financial information of the operating segments as of December 31, 2017 (As restated, Note 2) is as follows:

| | Inflight and Other Catering | Ground Handling and Aviation | Maintenance, Repairs and Overhaul | Administrative | Water Treatment and Distribution | Mining | Eliminations, Adjustments and Others | Total |
|---|---|---|---|---|---|---|---|---|
| Assets: | | | | | | | | |
| Current assets | ₱828,664,861 | ₱437,527,407 | ₱– | ₱370,282,126 | ₱123,305,323 | ₱24,562,085 | ₱42,684,624 | ₱1,827,026,426 |
| Noncurrent assets | 610,217,343 | 280,795,268 | – | 1,056,051,764 | 884,688,458 | 17,714,954 | 3,153,029,211 | 6,002,496,998 |
| | ₱1,438,882,204 | ₱718,322,675 | ₱– | ₱1,426,333,890 | ₱1,007,993,781 | ₱42,277,039 | ₱3,195,713,835 | ₱7,829,523,424 |
| Liabilities: | | | | | | | | |
| Current liabilities | ₱796,954,441 | ₱336,636,526 | ₱– | ₱858,807,788 | ₱501,534,408 | ₱82,228,307 | (₱1,080,245,810) | ₱1,495,915,660 |
| Noncurrent liabilities | 20,923,246 | 80,435,013 | – | 147,766,176 | 27,465,325 | 2,295,125 | 1,685,761,725 | 1,964,646,610 |
| | ₱817,877,687 | ₱417,071,539 | ₱– | ₱1,006,573,964 | ₱528,999,733 | ₱84,523,432 | ₱605,515,915 | ₱3,460,562,270 |
| Equity attributable to: | | | | | | | | |
| Equity holders of the Company | ₱399,145,364 | ₱301,251,136 | ₱– | ₱419,759,926 | ₱379,441,612 | (₱42,246,393) | ₱2,592,271,002 | ₱4,049,622,647 |
| Non-controlling interests | 221,859,153 | – | – | – | 99,552,436 | – | (2,073,082) | 319,338,507 |
| Investments in associates | 24,850,196 | – | 2,040,332,165 | – | – | – | (239,767,983) | 1,825,414,378 |
| Additions to noncurrent assets: | | | | | | | | |
| Property, plant and equipment | 213,984,902 | 87,281,361 | – | 3,466,295 | 104,099,529 | 5,570,763 | 13,414,523 | 427,817,373 |

## 5. Cash and Cash Equivalents

| | 2019 | 2018 |
|---|---|---|
| Cash on hand and cash in banks (Note 18) | **₱952,199,325** | ₱556,907,949 |
| Short-term deposits (Note 18) | **267,440,103** | 118,288,884 |
| | **₱1,219,639,428** | ₱675,196,833 |

Cash in banks earn interest at the respective bank deposits rates. Short-term deposits are made for varying periods of up to three months and earn interest at the respective short-term deposit rates. Interest income earned amounted to ₱6.6 million, ₱8.3 million and ₱5.5 million in 2019, 2018, and 2017, respectively (see Note 22).

## 6. Receivables and Contract Assets

| | 2019 | 2018 |
|---|---|---|
| Receivables: | | |
| Trade: | | |
| Third parties (Note 18) | **₱650,335,369** | ₱448,908,361 |
| Related parties (Note 18) | **1,179,434,461** | 365,613,222 |
| Dividends receivable (Note 18) | **–** | 42,000,000 |
| Advances to officers and employees | **20,943,058** | 15,510,511 |
| Interest receivable | **2,279,004** | 2,271,732 |
| Other receivables | **80,983,439** | 38,161,559 |
| Contract assets- current portion | **7,294,471** | 2,876,886 |
| | **1,941,269,802** | 915,342,271 |
| Less allowance for ECL | **15,527,033** | 14,918,648 |
| | **₱1,925,742,769** | ₱900,423,623 |

Trade receivables arise from the revenue-generating activities of the Group. These are non-interest bearing with normal credit terms ranging from 30 to 90 days.

*Long - term receivables*

Included under trade receivables are monthly installments due from customers from the construction of STPs. Payment terms from the said contracts are beyond one year; thus, contains significant financing component. Interest income earned from installment receivables amounted to ₱3.7 million in 2019 and ₱0.5 million in 2018 (see Note 22).

As of December 31, 2019 and 2018, outstanding receivables pertaining to construction of STPs are as follows:

| | 2019 | 2018 |
|---|---|---|
| Gross installment receivables | **₱61,427,613** | ₱102,469,545 |
| Less: unearned interest | **912,267** | 12,402,114 |
| | **60,515,346** | 90,067,431 |
| Current portion | **12,172,159** | 40,668,657 |
| Noncurrent portion (Note 15) | **₱48,343,187** | ₱49,398,774 |

In relation to the construction of STPs, the Group allocates the total transaction price earned between the construction of STPs and the operation and maintenance services for the STPs. The allocated amounts for the operation and maintenance services are recognized as contract assets. These contracts assets are realized as receivables as the Group performs the operations and maintenance of STPs, which is the remaining performance obligation, over the contract period of about 10 years. Contract assets are presented based on the timing of realization. As of December 31, 2019 and 2018, current and noncurrent portion of contract assets amounted to ₱7.3 million and ₱2.9 million, and ₱13.5 million and ₱25.4 million, respectively (see Note 15).

Advances to officers and employees pertain to cash advances that are subject to liquidation.

Other receivables include amounts due from third party insurance company and certain government agencies (e.g., SSS) and employee loans which are payable through salary deductions.

Allowance for ECL pertains to trade receivables. The rollforward analyses of the allowance for ECL as of December 31, 2019 and 2018 are as follows:

| | **2019** | 2018 |
|---|---|---|
| Beginning balance | **₱14,918,648** | ₱8,224,828 |
| Provisions (Note 20) | **608,385** | 7,213,782 |
| Write-offs | – | (519,962) |
| Ending balance | **₱15,527,033** | ₱14,918,648 |

## 7. **Inventories** - at cost

| | **2019** | 2018 |
|---|---|---|
| Food and beverage | **₱62,542,228** | ₱58,679,328 |
| Materials and supplies | **43,436,643** | 30,094,982 |
| | **₱105,978,871** | ₱88,774,310 |

Cost of inventories recognized as expense and included as part of "Food" and "Supplies" accounts under "Direct costs" amounted to ₱1,282.6 million, ₱831.7 million and ₱641.8 million in 2019, 2018 and 2017, respectively (see Note 19).

## 8. **Input Taxes and Other Current Assets**

Other current assets consist of:

| | **2019** | 2018 |
|---|---|---|
| Input taxes - net | **₱184,711,090** | ₱97,862,666 |
| Creditable withholding taxes | **57,347,417** | 46,062,130 |
| Advances to suppliers, contractors and others | **64,559,089** | 10,116,718 |
| Tax credit certificates - net | **–** | 6,709,902 |
| Others | **41,874,013** | 28,119,541 |
| | **₱348,491,609** | ₱188,870,957 |

*Input VAT*

| | 2019 | 2018 |
|---|---|---|
| Gross input tax | **₱465,740,842** | ₱376,220,947 |
| Less allowance for probable losses | **18,856,466** | 41,954,490 |
| | **446,884,376** | 334,266,457 |
| Less noncurrent portion | **262,173,286** | 236,403,791 |
| Current portion | **₱184,711,090** | ₱97,862,666 |

Input taxes represent VAT paid on purchases of goods and services that can be recovered as tax refund/credit from the Bureau of Internal Revenue (BIR) or the Bureau of Customs. The Group also has input taxes arising from acquisition of property and equipment and other assets and those which are not expected to be utilized in the next 12 months. Provision for losses on input taxes amounted to ₱8.7 million, ₱7.9 million and ₱12.3 million in 2019, 2018 and 2017, respectively (see Note 20). Further, the Group wrote off input taxes amounting to ₱31.8 million and ₱49.9 million in 2019 and 2018, respectively, which were fully provided with allowance.

CWTs represent creditable tax certificates from customers which can be applied against any related income tax liability of a company in the Group to which the CWTs relate.

TCCs represent amounts supported by certificates available for credit against income tax. In 2018, the Group received TCCs from the BIR amounting to ₱31.3 million. TCCs applied as payment to income taxes amounted to ₱6.8 million and ₱24.5 million in 2019 and 2018, respectively. The allowance for probable losses for TCCs amounted to ₱5.8 million as of December 31, 2019 and 2018, respectively.

*Advances to suppliers and contractors* pertain to down payments for various purchases of operating supplies of the Group.

*Others* mainly consist of prepaid insurance, rent and utilities.

## 9. Investments in Associates

| | Percentage of ownership interest | 2019 | 2018 (As restated, Note 2) |
|---|---|---|---|
| Acquisition costs: | | | |
| LTP | **49** | **₱935,759,560** | ₱935,759,560 |
| CPCS | **40** | **5,000,000** | 5,000,000 |
| MacroAsia WLL* | **35**[*] | **2,310,175** | 2,310,175 |
| CSWC** | **24**[**] | **31,002,000** | 31,002,000 |
| JASCO (Note 10) | **30** | **853,799,023** | – |
| | | **1,827,870,758** | 974,071,735 |
| Accumulated equity in net earnings: | | | |
| Beginning of year, as previously reported | | **1,518,066,583** | 1,266,114,650 |
| Accounting policy alignment impact (Note 2) | | **(228,987,328)** | (239,767,983) |
| Beginning of year, as restated | | **1,289,079,255** | 1,026,346,667 |
| Share in net earnings for the year | | **1,077,260,403** | 1,070,014,588 |
| Dividends declared to the Company (Note 18) | | **(916,316,715)** | (807,282,000) |
| End of year | | **1,450,022,943** | 1,289,079,255 |

*(Forward)*

| | 2019 | 2018 |
|---|---|---|
| Share in foreign currency translation adjustments: | | |
| Beginning of year | **₱53,347,767** | (₱52,663,046) |
| Net foreign currency translation adjustments for the year | **(100,669,833)** | 106,010,813 |
| End of year | **(47,322,066)** | 53,347,767 |
| Share in re-measurement losses on defined benefit plans of associates: | | |
| Beginning of year | **(30,584,062)** | (91,092,464) |
| Remeasurement gains (losses) on defined benefit plans for the year | **(112,207,998)** | 60,508,402 |
| End of year | **(142,792,060)** | (30,584,062) |
| Impairment allowance on investment in MacroAsia WLL | **(246,515)** | (246,515) |
| | **₱3,087,533,060** | ₱2,285,668,180 |

**Effective ownership interest through MACS*
***Effective ownership through SWRI*

LTP adopted PFRS 16 using the modified retrospective approach while the Group used the full retrospective method as its transition approach. In order to align LTP's policy on the adoption of PFRS 16 to the Group's policy, the Group recognized a decrease to its beginning equity in net earnings amounting to ₱229.0 million and ₱239.8 million as of December 31, 2018 and 2017, respectively (see Note 2).

As of December 31, 2019 and 2018, the shares of stock of the associated companies are not traded in public and as such, have no publicly traded price quotation.

LTP
LTP is a joint venture between Lufthansa Technik AG (LHT), a corporation organized and existing under the laws of the Federal Republic of Germany and MacroAsia Corporation (MAC), a corporation organized under the laws of the Republic of the Philippines. LTP was incorporated primarily to provide aircraft maintenance, aircraft overhaul, aircraft engine repair and overhaul and aircraft component repair and overhaul services in Manila, Cebu and other locations. LTP is also registered with the Philippine Economic Zone Authority (PEZA). The agreement provides for supermajority (i.e., two-thirds) vote of directors for the approval of the annual budget as well as other critical corporate acts of the agreement. The registered office address of LTP is LTP Technical Center, MacroAsia Ecozone, Villamor Airbase, Pasay City.

CPCS
CPCS is the Company's first in-flight catering venture, which started commercial operations in 1996. It is the only in-flight catering company at Mactan-Cebu International Airport and serves both domestic and international airlines. The registered office address of CPCS is 1st Ave. Extension, Block B6, MEZ I, Lapu-Lapu City.

JASCO
On November 5, 2019, MAC entered into a Share Purchase Agreement with Konoike Transport for the 7,200 ordinary shares or 30% ownership interest in Japan Airport Service Co., Ltd. (JASCO) for an aggregate amount of ₱853,799,023 (JPY 1,825,000,000). JASCO is a wholly-owned subsidiary of NKS Holding Co. Ltd., a Japanese company wholly-owned by Konoike Transport (see Notes 10 and 11).

MacroAsia WLL
On June 5, 2012, MACS entered into a Shareholders' Agreement with individuals to establish MacroAsia WLL, a national institutional catering and laundry company in Doha, Qatar. As of December 31, 2019, MacroAsia WLL has not yet started its commercial operations.

In 2015, the Group recognized provision for the probable loss of ₱0.2 million on the investment in immaterial associate equivalent to its remaining carrying amount.

CWSC
CSWC is a joint venture between SWRI and another domestic corporation in the Philippines. CSWC has bulk water supply with the water district of Janiuay, Iloilo. The registered office address of CWSC is 9/F, 45 San Miguel, San Miguel Avenue, Ortigas Center, Pasig City.

Summarized financial information of LTP, CPCS and JASCO based on their financial statements as of and for the years ended December 31 is as follows:

| | 2019 | | |
|---|---|---|---|
| | **LTP** | **CPCS** | **JASCO** |
| **Current assets** | **₱5,641,838,633** | **₱125,021,436** | **₱626,507,338** |
| **Noncurrent assets** | **5,426,111,617** | **24,522,322** | **163,216,563** |
| **Current liabilities** | **(3,066,852,604)** | **(23,533,145)** | **(340,271,373)** |
| **Noncurrent liabilities** | **(3,177,211,522)** | **(478,771)** | **(235,307,935)** |
| **Equity** | **4,823,886,124*** | **125,531,843** | **214,144,593** |
| **Group's carrying amount of the investment** | **₱2,151,339,704** | **₱50,212,737** | **₱854,978,597** |

**Inclusive of cumulative foreign currency translation loss amounting to ₱100,669,833*

| | 2019 | | |
|---|---|---|---|
| | **LTP** | **CPCS** | **JASCO** |
| **Revenue from contracts with customers** | **₱12,930,987,843** | **₱285,489,710** | **₱228,318,846** |
| **Direct costs** | **8,527,663,671** | **163,679,886** | **197,143,161** |
| **Gross profit** | **4,403,324,172** | **121,809,824** | **31,175,685** |
| **General and administrative expenses** | **2,058,920,017** | **16,681,456** | **9,873,410** |
| **Net income** | **2,062,406,122** | **99,595,978** | **34,067,187** |
| **Other comprehensive income (loss)** | **(228,995,908)** | **–** | **–** |
| **Total comprehensive income** | **1,833,410,214** | **99,595,978** | **34,067,187** |
| **Group's share in the net income** | **1,027,201,856** | **39,838,391** | **10,220,156** |
| **Group's share in total comprehensive income** | **₱914,993,861** | **₱39,838,391** | **₱10,220,156** |

| | 2018 | |
|---|---|---|
| | LTP | CPCS |
| Current assets | ₱6,113,831,497 | ₱145,772,098 |
| Noncurrent assets | 3,550,755,678 | 23,016,892 |
| Current liabilities | (3,427,673,860) | (92,209,464) |
| Noncurrent liabilities | (1,230,221,151) | (478,771) |
| Equity | 5,006,692,164* | 76,100,755 |
| Group's carrying amount of the investment | ₱2,453,279,160 | ₱30,374,348 |

**Inclusive of cumulative foreign currency translation gain amounting to ₱106,010,813*

| | 2018 (As restated, Note 2) | |
|---|---|---|
| | LTP | CPCS |
| Revenue from contracts with customers | ₱11,821,748,391 | ₱341,529,715 |
| Direct costs | 7,903,836,808 | 201,224,607 |
| Gross profit | 3,917,911,583 | 140,305,108 |
| General and administrative expenses | 1,687,823,781 | 16,019,855 |
| Net income | 2,064,661,350 | 118,874,675 |
| Other comprehensive income | 123,539,028 | 424,690 |
| Total comprehensive income | 2,188,200,378 | 119,299,365 |
| Group's share in the net income | 1,022,464,718 | 47,549,870 |
| Group's share in total comprehensive income | ₱1,082,998,842 | ₱47,719,746 |

| | 2017 | |
|---|---|---|
| | LTP | CPCS |
| Current assets | ₱4,171,550,791 | ₱149,185,135 |
| Noncurrent assets | 3,391,662,420 | 24,673,664 |
| Current liabilities | (2,345,270,718) | (110,856,967) |
| Noncurrent liabilities | (1,053,999,296) | (876,342) |
| Equity | 4,163,943,198* | 62,125,490 |
| Group's carrying amount of the investment | ₱2,040,332,165 | ₱24,850,196 |

**Inclusive of cumulative foreign currency translation loss amounting to ₱107,475,604.*

| | 2017 (As restated, Note 2) | |
|---|---|---|
| | LTP | CPCS |
| Revenue | ₱12,836,297,506 | ₱307,678,479 |
| Direct costs | 9,408,110,540 | 187,707,666 |
| Gross profit | 3,428,186,966 | 119,970,813 |
| General and administrative expenses | 1,432,151,712 | 15,183,798 |
| Net income | 1,894,691,151 | 98,862,128 |
| Other comprehensive income (loss) | (87,078,448) | 6,006,814 |
| Total comprehensive income | 1,807,612,703 | 104,868,942 |
| Group's share in the net income | 938,964,057 | 39,544,851 |
| Group's share in total comprehensive income | ₱896,295,617 | ₱41,947,577 |

In the normal course of business, LTP is involved in certain claims by third parties mainly related to damages, consignment of inventories, labor and other contingencies. These provisions for claims and losses pertain to management's best estimate of probable losses in connection with claims from third parties involving damages, consignment of inventories, and other issues. These provisions have been developed in consultation with LTP's legal counsels, advisors and are based upon an analysis of potential results. LTP recognized provisions amounting to ₱815.4 million and ₱950.6 million as of December 31, 2019 and 2018, respectively, which are included as part of "Current liabilities"of LTP's summarized financial information. The provision (reversal of provision) for probable losses and claims recognized in profit or loss amounted to (₱96.7 million), ₱259.4 million and (₱241.5 million) in 2019, 2018 and 2017, respectively, which is included as part of "General and administrative expenses" of LTP's summarized financial information.

Dividend received from LTP and CPCS amounted to ₱916.3 million, ₱799.3 million and ₱389.1 million in 2019, 2018 and 2017, respectively.

Further, the Group has interest in two immaterial associates. The financial information of these associates as of and for the years ended December 31, 2019 and 2018 is as follows:

| | **2019** | 2018 |
|---|---|---|
| Total assets | **₱56,164,790** | ₱63,461,017 |
| Total liabilities | **2,429,762** | 63,461,017 |
| Net loss | **(6,162,234)** | (1,097,150) |
| Group's carrying amount of the investments | **31,002,000** | 31,002,000 |

## 10. Business Combination

*Aquisition of 30% interest in JASCO*

In 2019, the Company acquired 30% ownership in Japan Airport Services Co. Ltd. (JASCO), from Konoike Transport Group for a cash consideration amounting to ₱853.8 million. This resulted to recognition of investment in associate which includes provisional goodwill amounting to ₱792.8 million.

The provisional fair values of the identified assets and liabilities and analysis of cash flows as of the date of purchase of interest is presented as follows:.

| | Provisional |
|---|---|
| **Assets** | |
| Cash and cash equivalents | ₱79,324,526 |
| Receivables | 108,654,168 |
| Prepayments and other current assets | 9,759,586 |
| Property and equipment | 29,009,899 |
| Deferred income tax asset | 9,620,262 |
| Other noncurrent assets | 10,834,055 |
| | 247,202,496 |
| **Liabilities** | |
| Accounts payable and accrued expenses | 117,524,566 |
| Income tax payable | 3,858,486 |
| Retirement obligation | 49,181,534 |
| Other noncurrent liabilities | 22,416,359 |
| | 192,980,945 |
| Total identifiable net assets at fair value | 54,221,551 |
| Goodwill | 799,148,449 |
| Purchase consideration | ₱853,370,000 |
| **Analysis of Cash Flows** | |
| Cash transferred as purchase consideration* | ₱853,370,000 |
| Transaction costs of the acquisition** | 429,023 |
| Net cash transferred | ₱853,799,023 |

**Included in cash flows from investing activities*
***Included in cash flows from operating activities*

If the business combination had taken place at the beginning of 2019, the Group's income before income tax would have been ₱1,436.5 million. From the date of acquisition, JASCO contributed ₱10.2 million to the Group's income before income tax.

*Acquisition of SWRI*
On October 1, 2018, the Group, through ASSC, purchased the 60% shares of stock held by the former individual shareholders of SWRI for a total consideration of ₱63.0 million under a Share Purchase Agreement (SPA). The Group acquired SWRI as part of its strategy to grow its water treatment and distribution segment. As of December 31, 2018, the Group recognized the acquired assets and liabilities of SWRI at provisional amounts.

In 2019, the Group engaged an external specialist to value SWRI's water service contract. This resulted in adjustments in the provisional amounts of the acquired assets and liabilities, which were retrospectively adjusted in the 2018 consolidated financial statements, as follows:

a. Identification and valuation of water service contract amounting to ₱21.3 million;
b. Increase in property, plant and equipment by ₱6.6 million; and
c. Reduction in goodwill by ₱6.0 million

The reconciliation of the provisional and final fair values of the identified assets and liabilities and analysis of cash flows as of the date of acquisition is presented on the next page.

| | Provisional | Adjustments | Final |
|---|---|---|---|
| **Assets** | | | |
| Cash | ₱1,552,968 | ₱– | ₱1,552,968 |
| Receivables | 6,294,876 | – | 6,294,876 |
| Inventories | 4,642,600 | – | 4,642,600 |
| Prepayments and other current assets | 3,206,362 | – | 3,206,362 |
| Investment in associate | 36,670,000 | – | 36,670,000 |
| Property and equipment | 47,308,454 | 6,577,546 | 53,886,000 |
| Deferred income tax asset | 867,517 | – | 867,517 |
| Other noncurrent assets | 16,161,878 | – | 16,161,878 |
| Service concession right (Note 14) | – | 21,283,538 | 21,283,538 |
| | 116,704,655 | 27,861,084 | 144,565,739 |
| **Liabilities** | | | |
| Accounts payable and accrued liabilities | 8,403,630 | – | 8,403,630 |
| Loans payable | 24,559,778 | – | 24,559,778 |
| Deferred income tax liability | – | 8,358,325 | 8,358,325 |
| Other noncurrent liabilities | 34,283,454 | – | 34,283,454 |
| | 67,246,862 | 8,358,325 | 75,605,187 |
| Total identifiable net assets at fair value | 49,457,793 | 19,502,759 | 68,960,552 |
| Non-controlling interest | (19,783,121) | (13,546,129) | (33,329,250) |
| Goodwill (Note 14) | 33,325,328 | (5,956,630) | 27,368,698 |
| Purchase consideration | ₱63,000,000 | ₱– | ₱63,000,000 |

| | |
|---|---|
| **Analysis of Cash Flows** | |
| Cash transferred as purchase consideration* | ₱63,000,000 |
| Unpaid consideration | (9,450,000) |
| Cash transferred as purchase consideration | 53,550,000 |
| Transaction costs of the acquisition** | 472,500 |
| Cash acquired with the subsidiary* | (1,552,968) |
| Net cash transferred | ₱52,469,532 |

**Included in cash flows from investing activities*
***Included in cash flows from operating activities*

If the business combination had taken place at the beginning of 2018, the Group's revenue and income before income tax would have been ₱3,623.7 million and ₱1,229.0 million, respectively. From the date of acquisition, SWRI contributed ₱6.9 million and ₱1.7 million to the Group's revenue and income before income tax, respectively.

## 11. Material Partly-owned Subsidiaries

As of December 31, 2019, MASCORP has a material non-controlling interest of 20%. On December 5, 2019, the Company entered into a share purchase agreement with Konoike Transport Co., LTD. ("Konoike") to sell 250,001 shares representing 20% of the total issued and outstanding capital stock of MASCORP. After the sale, MASCORP is 20% owned by Konoike. The transaction was accounted for as a sale of share in subsidiary without loss of control; thus an equity transaction (see Note 27).

As of December 31, 2019 and 2018, MACS has a material non-controlling interest of 33%.

Set out on the next page are the summarized financial information of MACS and MASCORP. The amounts disclosed are based on those included in the consolidated financial statements before intercompany eliminations.

Summarized balance sheets:

| | 2019 | | 2018 |
|---|---|---|---|
| | **MASCORP** | **MACS** | MACS |
| Current assets | **₱1,190,998,956** | **₱680,146,955** | ₱605,224,064 |
| Noncurrent assets | **582,316,376** | **555,060,139** | 518,549,251 |
| Current liabilities | **1,242,143,427** | **443,906,363** | 407,311,665 |
| Noncurrent liabilities | **45,851,297** | **15,833,959** | 6,352,843 |
| Equity | **485,320,608** | **775,466,772** | 710,108,807 |
| Equity attributable to non-controlling interest | **2,274,397** | **255,834,887** | 234,335,906 |

Summarized statements of income:

| | 2019 | | 2018 | 2017 |
|---|---|---|---|---|
| | **MASCORP** | **MACS** | MACS | MACS |
| Revenue | **₱2,821,166,345** | **₱1,819,496,574** | ₱1,662,854,455 | ₱1,541,020,403 |
| Direct costs | **2,397,933,240** | **1,217,760,927** | 1,101,952,910 | 1,004,592,447 |
| Operating expenses | **209,946,096** | **367,868,378** | 342,249,529 | 323,595,522 |
| Net income | **135,766,067** | **154,102,149** | 173,490,184 | 143,378,867 |
| Net income attributable to non-controlling interest | **2,274,397** | **50,784,564** | 57,251,761 | 47,315,026 |

Summarized statements of comprehensive income:

| | 2019 | | 2018 | 2017 |
|---|---|---|---|---|
| | **MASCORP** | **MACS** | MACS | MACS |
| Net income | **₱135,766,067** | **₱154,102,149** | ₱173,490,184 | ₱143,378,867 |
| Other comprehensive income(loss) | **(22,324,383)** | **(8,744,192)** | 764,738 | 1,477,525 |
| Total comprehensive income | **113,441,684** | **145,357,957** | 174,254,922 | 144,856,392 |
| Total comprehensive income attributable to non-controlling interest | **1,902,324** | **57,504,124** | 57,504,124 | 47,802,608 |

Summarized statements of cash flows:

| | 2019 | | 2018 | 2017 |
|---|---|---|---|---|
| | **MASCORP** | **MACS** | MACS | MACS |
| Cash flows from operations | **₱118,270,707** | **₱129,818,154** | ₱152,623,778 | ₱162,472,304 |
| Cash flows used in investing activities | **(111,633,957)** | **(80,223,573)** | (248,087,715) | (55,146,343) |
| Cash flows from (used in) financing activities | **85,260,054** | **(37,500,000)** | (37,500,000) | (95,000,000) |

## 12. Property, Plant and Equipment

| | 2019 | | | | |
|---|---|---|---|---|---|
| | January 1, 2019 | Additions | Additions through business combination (Note 10) | Adjustments, Reclassifications and Disposal | December 31, 2019 |
| **Cost** | | | | | |
| Land and land improvements | **₱309,535,197** | **₱18,887,591** | **₱–** | **₱142,007,712** | **₱470,430,500** |
| Building and leasehold improvements | **454,968,477** | **545,428,549** | **–** | **(50,498,940)** | **949,898,086** |
| Kitchen and other operations equipment | **415,184,918** | **211,974,198** | **–** | **17,231,124** | **644,390,240** |
| Transportation equipment | **349,244,374** | **29,030,660** | **–** | **10,279,309** | **388,554,343** |
| Aviation equipment | **569,837,555** | **209,058,032** | **–** | **48,135,877** | **827,031,464** |
| Plant and technical equipment | **31,080,847** | **1,413,630** | **–** | **(29,710,563)** | **2,783,914** |
| Water pumps and machineries | **117,263,085** | **10,423,799** | **–** | **73,378,968** | **201,065,852** |
| Water pipelines | **108,104,929** | **–** | **–** | **70,976,865** | **179,081,794** |
| Office furniture, fixtures and equipment | **113,941,903** | **72,374,111** | **–** | **6,045,525** | **192,361,539** |
| Drilling equipment | **5,735,469** | **–** | **–** | **-** | **5,735,469** |
| Construction in progress (Notes 16 and 18) | **904,030,539** | **175,514,708** | **–** | **(759,642,976)** | **319,902,271** |
| | **₱3,378,927,293** | **₱1,274,105,278** | **₱–** | **(₱471,797,099)** | **₱4,181,235,472** |

*(Forward)*

| | 2019 | | | | |
|---|---|---|---|---|---|
| | January 1, 2019 | Additions | Additions through business combination (Note 10) | Adjustments, Reclassifications and Disposal | December 31, 2019 |
| **Accumulated Depreciation and Amortization** | | | | | |
| Land improvements | **(₱12,336,660)** | **(₱3,015,470)** | **₱–** | **₱10,841,451** | **(₱4,510,679)** |
| Buildings and leasehold improvements | **(368,871,391)** | **(19,350,912)** | **–** | **(357,136)** | **(388,579,439)** |
| Kitchen and other operations equipment | **(305,989,043)** | **(35,320,782)** | **–** | **(18,754,284)** | **(360,064,109)** |
| Transportation equipment | **(201,191,414)** | **(37,922,517)** | **–** | **(7,623,388)** | **(246,737,319)** |
| Aviation equipment | **(252,652,757)** | **(58,682,593)** | **–** | **125,099** | **(311,210,251)** |
| Plant and technical equipment | **(3,845,218)** | **(676,509)** | **–** | **2,932,735** | **(1,588,992)** |
| Water pumps and machineries | **(15,281,930)** | **(11,135,548)** | **–** | **(54,421,446)** | **(80,838,924)** |
| Water pipelines | **(41,267,214)** | **(18,092,020)** | **–** | **(34,569,660)** | **(93,928,894)** |
| Office furniture, fixtures and equipment | **(106,215,600)** | **(18,259,009)** | **–** | **(2,490,018)** | **(126,964,627)** |
| Drilling equipment | **(5,735,469)** | – | – | – | **(5,735,469)** |
| | **(1,313,386,696)** | **(202,455,360)** | **–** | **(104,316,647)** | **(1,620,158,703)** |
| **Net Book Value** | **₱2,065,540,597** | **₱1,071,649,918** | **₱–** | **(₱576,113,746)** | **₱2,561,076,769** |

| | 2018 | | | | |
|---|---|---|---|---|---|
| | January 1, 2018 | Additions | Additions through business combination (Note 10) | Adjustments, Reclassifications and Disposal | December 31, 2018 |
| **Cost** | | | | | |
| Land and land improvements | ₱305,707,114 | ₱3,828,083 | ₱– | ₱– | ₱309,535,197 |
| Building and leasehold improvements | 453,181,774 | 1,786,703 | – | – | 454,968,477 |
| Kitchen and other operations equipment | 368,953,424 | 56,634,823 | – | (10,403,329) | 415,184,918 |
| Transportation equipment | 326,565,550 | 27,111,396 | 254,118 | (4,686,690) | 349,244,374 |
| Aviation equipment | 358,380,538 | 211,457,017 | – | – | 569,837,555 |
| Plant and technical equipment | 30,950,737 | 4,553 | 125,557 | – | 31,080,847 |
| Water pumps and machineries | 55,293,683 | 9,291,072 | 46,858,103 | 5,820,227 | 117,263,085 |
| Water pipelines | 108,104,929 | – | – | – | 108,104,929 |
| Office furniture, fixtures and equipment | 101,537,338 | 12,932,937 | 70,676 | (599,048) | 113,941,903 |
| Drilling equipment | 5,735,469 | – | – | – | 5,735,469 |
| Construction in progress (Notes 16 and 18) | 212,197,836 | 713,776,251 | – | (21,943,548) | 904,030,539 |
| | 2,326,608,392 | 1,036,822,835 | 47,308,454 | (31,812,388) | 3,378,927,293 |
| **Accumulated Depreciation and Amortization** | | | | | |
| Land improvements | (11,040,709) | (379,378) | – | (916,573) | (12,336,660) |
| Buildings and leasehold improvements | (358,645,669) | (10,225,722) | – | – | (368,871,391) |
| Kitchen and other operations equipment | (290,467,763) | (29,630,600) | – | 14,109,320 | (305,989,043) |
| Transportation equipment | (174,607,959) | (33,182,100) | – | 6,598,645 | (201,191,414) |
| Aviation equipment | (216,509,223) | (36,143,534) | – | – | (252,652,757) |
| Plant and technical equipment | (1,897,289) | (1,827,999) | – | (119,930) | (3,845,218) |
| Water pumps and machineries | (7,121,276) | (8,163,154) | – | 2,500 | (15,281,930) |
| Water pipelines | (23,322,827) | (17,518,874) | – | (425,513) | (41,267,214) |
| Office furniture, fixtures and equipment | (92,151,587) | (14,490,888) | – | 426,874 | (106,215,601) |
| Drilling equipment | (5,735,469) | – | – | – | (5,735,469) |
| | (1,181,499,771) | (151,562,249) | – | 19,675,323 | (1,313,386,697) |
| **Net Book Value** | ₱1,145,108,621 | ₱885,260,586 | ₱47,308,454 | (₱12,137,064) | ₱2,065,540,597 |

| | 2017 | | | | |
|---|---|---|---|---|---|
| | January 1, 2017 | Additions | Additions through business combination (Note 10) | Adjustments, Reclassifications and Disposal | December 31, 2017 |
| **Cost** | | | | | |
| Land and land improvements | ₱269,338,099 | ₱35,169,015 | ₱1,200,000 | ₱– | ₱305,707,114 |
| Building and leasehold improvements | 442,042,490 | 11,139,284 | – | – | 453,181,774 |
| Kitchen and other operations equipment | 330,508,409 | 38,445,015 | – | – | 368,953,424 |
| Transportation equipment | 289,051,962 | 41,674,744 | 300,000 | (4,461,156) | 326,565,550 |
| Aviation equipment | 290,638,962 | 67,741,576 | – | – | 358,380,538 |
| Plant and technical equipment | 30,775,200 | 175,537 | – | – | 30,950,737 |
| Water pumps and machineries | 35,135,400 | 15,907,541 | – | 4,250,742 | 55,293,683 |
| Water pipelines | 56,442,879 | 1,216,932 | – | 50,445,118 | 108,104,929 |
| Office furniture, fixtures and equipment | 93,775,230 | 12,218,992 | 150,000 | (4,606,884) | 101,537,338 |
| Drilling equipment | 5,735,469 | – | – | – | 5,735,469 |
| Construction in progress (Notes 16 and 18) | 63,430,871 | 204,128,737 | – | (55,361,772) | 212,197,836 |
| | 1,906,874,971 | 427,817,373 | 1,650,000 | (9,733,952) | 2,326,608,392 |
| **Accumulated Depreciation and Amortization** | | | | | |
| Land improvements | (10,425,531) | (615,178) | – | – | (11,040,709) |
| Buildings and leasehold improvements | (344,097,504) | (14,548,165) | – | – | (358,645,669) |
| Kitchen and other operations equipment | (270,271,933) | (20,195,830) | – | | (290,467,763) |
| Transportation equipment | (154,416,138) | (24,564,278) | – | 4,372,457 | (174,607,959) |
| Aviation equipment | (189,611,616) | (26,897,607) | – | – | (216,509,223) |
| Plant and technical equipment | (66,487) | (1,830,802) | – | – | (1,897,289) |
| Water pumps and machineries | (129,776) | (7,605,828) | – | 614,328 | (7,121,276) |
| Water pipelines | – | (23,322,827) | – | – | (23,322,827) |
| Office furniture, fixtures and equipment | (82,296,717) | (10,248,524) | – | 393,654 | (92,151,587) |
| Drilling equipment | (5,735,469) | – | – | – | (5,735,469) |
| | (1,057,051,171) | (129,829,039) | – | 5,380,439 | (1,181,499,771) |
| **Net Book Value** | ₱849,823,800 | ₱297,988,334 | ₱1,650,000 | (₱4,353,513) | ₱1,145,108,621 |

Acquisitions of property and equipment on credit amounting to ₱183.5 million in 2019 are included as part of "Accounts payable and accrued liabilities" account as of December 31, 2019. These are treated as noncash investing activities in the consolidated statements of cash flows.

Depreciation and amortization is distributed as follows:

| | **2019** | 2018 | 2017 |
|---|---|---|---|
| Direct costs (Note 19) | **₱146,273,834** | ₱122,457,830 | ₱109,508,134 |
| Operating expenses (Note 20) | **56,181,526** | 29,104,419 | 20,320,905 |
| | **₱202,455,360** | ₱151,562,249 | ₱129,829,039 |

The costs of fully depreciated property and equipment which are still in use amounted to ₱859.4 million as of December 31, 2019 and 2018.

## 13. Investment Property

The Group's investment property pertains to a parcel of land held for future development which amounted to ₱143.9 million as of December 31, 2019 and 2018. The fair value of the investment property amounted to ₱261.1 million which is based on the latest available appraisal report rendered by a Philippine SEC-accredited professional firm of appraisers as of December 31, 2016 (see Note 33). Management believes that there have been no significant activities in the areas where the investment properties are located which can indicate significant changes in the fair values of investment properties per appraiser reports.

The independent appraiser used the "Market Data Approach" in valuing the property in 2016. This approach considers the sales and listings and other market data of comparable properties registered within the vicinity of the property being valued. Factors such as location, size, shape of lot, highest and best use and time element were also taken into consideration in order to estimate the fair value of the property.

Operating expense incurred in relation to investment property pertains to real property taxes (included as part of "Taxes and licenses") amounted to ₱0.4 million in 2019, 2018 and 2017 (see Note 20).

There are neither restrictions on the realizability of investment property nor contractual obligations to develop or maintain such property.

## 14. Service Concession Right, Intangible Assets and Goodwill

Service Concession Right

| | **2019** | 2018 |
|---|---|---|
| **Cost** | | |
| Beginning balance | **₱478,300,849** | ₱432,610,702 |
| Additions | **14,921,376** | 24,406,608 |
| Additions through business combination (Note 10) | **–** | 21,283,538 |
| | **493,222,225** | 478,300,848 |
| **Accumulated Amortization** | | |
| Beginning balance | **48,598,179** | 29,693,776 |
| Amortization (Note 19) | **20,015,923** | 18,904,403 |
| Ending balance | **68,614,102** | 48,598,179 |
| **Net Book Value** | **₱424,608,123** | ₱429,702,669 |

The cost of service concession right pertains to incurred construction costs by SNVRDC in relation to the construction of water treatment plant and pipe laying activities in Solano, Nueva Viscaya and the fair value of NAWASCOR's water system and pipelines in Naic, Cavite (see Note 29). Pursuant to Philippine Interpretation IFRIC 12, the Group recognizes intangible assets in accordance with the accounting policies stated in Note 2.

The additions to service concession right in 2019 amounting to ₱14.9 million pertain to costs of ongoing construction of water facilities and pipe laying activities. These are recognized as contract assets and are presented as part of service concession right in the 2019 consolidated balance sheet.

As of December 31, 2019 and 2018, management performed impairment test of SNVRDC's service concession right due to SNVRDC's continued losses since the start of commercial operations in 2016. SNVRDC is part of water treatment and distribution segment. SNVRDC's service concession right, which pertains to incurred construction costs, amounted to ₱267.5 million and ₱281.9 million as at

December 31, 2019 and 2018, respectively. Management has determined based on the impairment test that the value in use exceeds the carrying value of the service concession right.

The calculation of value in use is most sensitive to the following assumptions:

- *Discount rate (8.5%)* – Discount rate represents the current market assessment of the risk specific to the Company, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is derived from the weighted average cost of capital (WACC). The Group used WACC rate as affected by beta of companies with similar activities and capital structure. WACC is also affected by costs of debt and capital based on average lending rates for long-term loans.
- *Average volume of annual water consumption (2.7 million cubic meter)* – The average volume of annual water consumption is based on management's best estimate of water consumption per customer and increases in number of connections considering factors such as historical trend, market analysis, government regulations and other economic factors.

  *Tariff rate (average tarrif rate with average annual increase of 3%)* – Tariff rate represents the management's forecasted average price per cubic meter the Group would charge its customers considering the estimated increase to be granted by the Municipality of Solano, the approved tariff rate of National Water Regulations Board, and the estimated yearly increase that is acceptable to the customers.

*Sensitivity to Changes in Assumptions*
Other than as disclosed above, management believes that any reasonable possible change in any of the above assumptions would not cause the carrying value to exceed its recoverable amount.

Intangible Assets and Goodwill

| | **2019** | 2018 (As restated, Note 10) |
|---|---|---|
| Customer contract and relationships | **₱61,646,255** | ₱65,036,659 |
| Right-to-use of water permits | **112,623,898** | 80,515,556 |
| Goodwill | **127,842,230** | 127,842,230 |
| | **₱302,112,383** | ₱273,394,445 |

*Customer contract and relationships*
Customer contract and relationships pertain to Group's long-term water supply contract with a third party and established relationships with the existing customers through service contracts. These are identified intangible assets as part of the acquisition of BTSI group in 2016. The customer contract is amortized over the remaining contract term, while customer relationships are amortized over the estimated years where all the existing customers would have switched to other water distributors. The amortization of customer contract and relationships amounted to ₱3.4 million in 2019 and 2018 and ₱3.7 million in 2017.

*Right-to-use of water permits*
The right-to-use of water permits of BTSI and NEWS allowing them to extract and distribute water in certain provinces of the Philippines and NAWASCOR to operate, manage, maintain water systems of certain subdivisions. Management believes that the right-to-use assets have an indefinite useful life due to the permanent nature of water permits and minimal time and effort required of BTSI and NEWS to renew certain operating permits in view of continued compliance with relevant regulations.

*Goodwill*
The goodwill recognized by the Group amounting to ₱127.8 million as of December 31, 2019 and 2018 resulted from the Group's acquisition of: (a) 13% non-controlling interest from a previous stockholder of MACS in 2006, (b) 67% of BTSI in 2016, (c) 100% of NAWASCOR in 2017 and (d) 60% of SUMMA in 2018 (see Note 10).

The carrying amount of goodwill is allocated to each of the CGUs (determined to be at the subsidiary level) as follows:

| | MACS | BTSI | NAWASCOR (As restated, Note 10) | SWRI (Note 10) | Total |
|---|---|---|---|---|---|
| **December 31, 2018** | **₱17,531,232** | **₱46,056,594** | **₱36,885,706** | **₱–** | **₱100,473,532** |
| Addition through business combination(Note 10) | – | – | – | 27,368,698 | 27,368,698 |
| **December 31, 2019** | **₱17,531,232** | **₱46,056,594** | **₱36,885,706** | **₱27,368,698** | **₱127,842,230** |

Management performs its annual impairment test for each reporting period for all the CGUs. BTSI and NAWASCOR are part of the water treatment and distribution segment, while MACS is part of inflight and other catering services segment. The recoverable amounts are computed based on value in use calculations using the five-year cash flow projections as approved by management and discounted using a pre-tax discount rate of 8.4% in 2019 and 17.0% in 2018. Management determined, that the value in use exceeds the carrying amount of the cash generating units with sufficient headroom as of December 31, 2019 and 2018.

The key assumptions used in determining the recoverable amounts as of December 31, 2019 of goodwill allocated to BTSI and NAWASCOR and right to use assets are the same as with those used in the impairment testing of service concession rights. Further, management used 2.0% growth rate in the calculation of cash flows beyond the forecasted period. In addition, for impairment testing of goodwill allocated to MACS, management used sales growth rate based on MACS' five-year forecast and long-term growth rate of 4.0% based on forecasted growth in food industry.

Management believes that no reasonably possible change in the assumptions would cause the carrying values of the CGUs to materially exceed their recoverable amounts.

## 15. Other Noncurrent Assets

| | **2019** | 2018 (As restated, Note 2) |
|---|---|---|
| Installment receivables - net of current portion (Note 6) | **₱48,343,187** | ₱49,398,774 |
| Finance lease receivable - net of current portion (Note 6) | **13,612,695** | 14,677,119 |
| Contract assets - net of current portion (Note 6) | **13,520,926** | 25,412,496 |
| Advances to contractors and suppliers | **54,998,126** | 196,945,427 |
| Equity investments designated at FVTOCI/AFS investments | **76,138,300** | 65,155,800 |
| Deferred project costs | **57,013,350** | 56,813,350 |
| Deposits (Note 28) | **42,714,608** | 41,367,513 |
| Deferred mine exploration cost (Note 30) | **20,418,948** | 20,418,948 |
| Deferred rent expense (Note 28) | **11,922,204** | 13,352,255 |
| Pension asset (Note 21) | **1,729,914** | 37,210,213 |
| Others | **43,038,986** | 25,740,680 |
| | **₱383,451,244** | ₱546,492,575 |

*Advances to contractors and suppliers*
Advances to contractors pertain to advance payments to contractors which primarily serve as mobilization fee and are diminished through progress billings, and down payments for major capital expenditures.

*Financial assets investments designated at FVTOCI*
The Company's investments in golf club share and other proprietary and equity shares are carried at fair value based on published club share quotes that are publicly available from local dailies and from the website of club share brokers. As of December 31, 2019 and 2018, equity investments designated at FVTOCI amounted to ₱76,138,300 and ₱65,155,800, respectively.

The Group's investment in Philippine government treasury bonds with fair value of ₱65.2 million as of December 31, 2017 was sold in 2018 for ₱63.2 million. The total interest earned from these government bonds, which carry interest rates of 3.25% to 6.00%, amounted to ₱0.9 million in 2018 and ₱1.8 million in 2017 (see Note 22).

Below is the movement of reserve for fair value changes of financial assets investments at FVTOCI, which is presented as part of "Reserve for fair value changes of financial assets investments" in the consolidated statements of changes in equity.

| | **2019** | 2018 |
|---|---|---|
| Beginning balance , as previously reported | **₱35,719,999** | ₱14,365,997 |
| Effect of adoption of PFRS 9 | – | (400,000) |
| Beginning balance, as adjusted | **35,719,999** | 13,965,997 |
| Changes in fair value of equity investments held at FVTOCI, net of tax effect | **9,350,000** | 17,000,000 |
| Changes in fair value of debt securities held at FVTOCI | – | (2,092,938) |
| Cumulative unrealized loss on fair value changes of debt securities recycled to profit or loss (Note 22) | – | 6,846,940 |
| Ending balance | **₱45,069,999** | ₱35,719,999 |

Deferred income tax liabilities on the fair value changes of the equity investments designated as FVTOCI amounted to ₱7.5 million and ₱5.9 million as of December 31, 2019 and 2018, respectively (see Note 25).

*Finance lease receivable*
The Group has a long-term lease agreement with a third party which stipulates for a minimum volume of cubic meter to be delivered daily. This is accounted for under finance lease with the related receivables classified as part of "Installment receivables" of the Group. The gross investment in the lease and the present value of minimum lease payments as of December 31, 2019 are shown as follows:

| | **2019** | 2018 |
|---|---|---|
| Not later than one year | **₱1,030,347** | ₱877,674 |
| Later than one year and not later than five years | **4,121,385** | 3,510,696 |
| Later than five years | **15,111,746** | 14,920,447 |
| Gross finance lease receivable | **20,263,478** | 19,308,817 |
| Less: unearned interest | **(6,109,655)** | (4,106,803) |
| Present value of minimum lease payments | **14,153,823** | 15,202,014 |
| Current portion (Note 6) | **(541,128)** | (524,895) |
| Finance lease receivable - net of current portion | **₱13,612,695** | ₱14,677,119 |

*Deferred project costs*

| | **2019** | 2018 |
|---|---|---|
| Maragondon Bulk Water project costs | **₱34,067,350** | ₱34,067,350 |
| Engineering designs, consultancy, development and geodetic surveys costs | **22,946,000** | 22,746,000 |
| | **₱57,013,350** | ₱56,813,350 |

a. Maragondon Bulk Water project costs pertain to the cost of feasibility study acquired as part of WBSI acquisition in 2011. Prior to acquisition, WBSI had contractual joint venture agreement with Maragondon Water District (MWD) when WBSI submitted an unsolicited proposal to develop a bulk water supply project to be sourced from the Maragondon River, to install and operate the water treatment plant and deliver treated water at the off-takers tapping point. As part of the agreement, MWD assigned its water permits for the use of the raw water from Maragondon River to WBSI. As of December 31, 2019, the Group is working with the local government to execute the Bulk Water Supply Agreement which will contain the terms and conditions to operate the water treatment facility, as well as the corresponding tariffs and royalty fees.

   In January 2019, the Group entered into a Supplemental Agreement to clarify the terms of the contractual joint venture agreement and agree on the implementation timeline of the project.

b. In relation to the Group's water-related projects, the Group incurs expenditures related to the technical feasibility studies which include engineering designs, consultancy fees, development and geodetic surveys and other project costs.

*Others* include software and restricted time deposits placed by the Group to guaranty an institutional catering contract. The Group recognized amortization related to software amounting to ₱6.1 million, ₱4.0 million and ₱2.9 million in 2019, 2018 and 2017, respectively (see Note 20).

## 16. Notes Payable and Long-Term Debts

Notes payable

| | | | **Outstanding Balance** | |
|---|---|---|---|---|
| Entity | Facility | Terms | **2019** | **2018** |
| Company | One - year loan agreement | Principal payable at maturity; interest payable quarterly, interest rate of 5.75%. | **₱500,000,000** | **₱**– |
| | 180 - day rolling loan agreement | Principal and interest payable at maturity; interest rate of 7.25% and 3.25% in 2018 and 2017, respectively. | – | 85,0000,000 |
| BTSI | 6 months short-term loan agreement | Principal and interest payable at maturity; interest rate of 8.00%. | **50,000,000** | – |
| | 6 months short-term loan agreement | Principal and interest payable at maturity; interest rate of 5.25%. | – | 75,000,000 |
| MSFI | 180 days short term loan agreement | Principal and interest payable at maturity; interest rate of 6.75%. (Note 18) | **25,000,000** | – |
| MASCORP | 180 days short-term loan agreement | Principal payable at maturity and interest payable monthly in arrears; US$1.5 million (with initial interest rate of 4.75% per annum subject to quarterly repricing) (Note 18). | – | 78,870,000 |
| | 60 days short-term loan agreement | Principal and interest payable at maturity; ₱7.0 million (with initial interest rate of 6.75% per annum) and US$1.0 million (with initial interest rate of 5.00% per annum)(Note 18). | – | 59,580,000 |
| | 70 days short-term loan agreement | Principal and interest payable at maturity; interest rate of 6.75% (Note 18). | – | 50,000,000 |
| | | | **₱575,000,000** | ₱348,450,000 |

Long-term debts

| Entity | Facility | Terms | Outstanding Balance 2019 | 2018 |
|---|---|---|---|---|
| MSFI | Eight-year term loan agreement | Principal and interest payable quarterly; interest rate equivalent to the benchmark rate plus 100 basis points per annum or 4.00% (Note 18). | **₱366,666,667** | ₱400,000,000 |
| | Eight-year term loan agreement | Principal and interest payable quarterly; interest rate equivalent to 7.10% per annum (Note 18). | **250,000,000** | – |
| MASCORP | Five-year term loan agreement | Principal and interest payable monthly; interest rate of 5.11% per annum subject to quarterly re-pricing (Note 18). | **153,592,835** | – |
| | Five-year term loan agreement | Principal and interest payable monthly; interest rate of 7.73% per annum subject to quarterly re-pricing (Note 18). | **143,000,000** | – |
| | Five-year term loan agreement | Principal and interest payable monthly; interest rate of 4.34% per annum subject to quarterly re-pricing (Note 18). | **28,355,600** | 39,540,160 |
| | Five-year term loan agreement | Principal and interest payable monthly; interest rate of 4.34% per annum subject to quarterly re-pricing (Note 18). | **28,355,600** | 39,540,160 |
| | Five-year term loan agreement | Principal and interest payable monthly; interest rate of 5.25% and 4.06% subject to monthly re-pricing. | – | 2,968,473 |
| BTSI | Five-year term loan agreement | Principal and interest payable quarterly; interest rate of 7.75% per annum. | **111,111,111** | 125,000,000 |
| | Five-year term loan agreement | Principal and interest payable quarterly; interest rate of 6.5% per annum. | **100,000,000** | 100,000,000 |
| | Five-year term loan agreement | Principal and interest payable quarterly; interest rate of 8.4% per annum. | **44,444,444** | – |
| | Five-year term loan agreement | Principal and interest payable quarterly; interest rate of 8.4% per annum. | **22,222,222** | 25,000,000 |
| SWRI | Nine-year term loan agreement | Principal and interest payable monthly; interest rate of 8.0%. | **23,059,033** | 24,429,778 |
| | | | **1,270,807,512** | 756,478,571 |
| | Unamortized transaction costs | | **(3,871,947)** | (2,952,650) |
| | | | **1,266,935,565** | 753,525,921 |
| | Current portion | | **482,536,067** | 77,009,744 |
| | | | **₱784,399,498** | ₱676,516,177 |

The aforementioned notes payable and long-term debts are obtained from local banks.

The MSFI loan amounting to ₱366.7 million was specifically availed to finance the construction of its kitchen facility. In accordance with the loan agreement, MSFI is required to maintain debt-to-equity ratio of not more than 70:30 and debt service coverage ratio (DSCR) of at least 1.2 times. In April 2018, the lender-bank approved to defer the effectivity of the financial loan covenants until the full commercial year of MSFI in 2019.

As of December 31, 2017, MSFI breached the minimum required debt-to-equity and DSCR ratios. Accordingly, MSFI's long term debt with carrying amount of ₱398.2 million is presented under "Current liabilities" in the 2017 consolidated balance sheet.

In accordance with the loan agreements, MASCORP is required to maintain a debt-to-equity ratio of not greater than 2.33 times and debt service coverage ratio of not lower than 1.0x. As of December 31, 2019, MASCORP complied with the required DSCR except for the DER of 2.65 times which exceeded the required 2.33 times. Hence, the remaining noncurrent portion of the outstanding loan of ₱265.4 million as of December 31, 2019 was reclassified to current liability.

Total interest expense incurred amounted to ₱59.0 million, ₱25.2 million and ₱8.3 million in 2019, 2018 and 2017, respectively. In 2018, capitalized interest amounted to ₱18.8 million which pertained to MSFI loans. The capitalization rate is 4.19% in 2018 which is the effective interest rate of the loan.

## 17. Accounts Payable and Accrued Liabilities

| | 2019 | 2018 |
|---|---|---|
| Trade accounts payable: | | |
| Third parties | **₱907,668,794** | ₱383,311,673 |
| Related parties (Note 18) | **194,439,584** | 18,135,904 |
| Nontrade accounts payable (Notes 18 and 27) | **91,766,034** | 161,370,763 |
| Accrued: | | |
| Service fees (Note 28) | **64,097,444** | 51,876,762 |
| Rental | **55,180,273** | 13,152,598 |
| Personnel cost | **23,424,076** | 10,161,770 |
| Construction costs | **17,639,410** | 35,899,633 |
| Outside services | **12,362,748** | 30,684,563 |
| Interest (Notes 16 and 18) | **7,980,719** | 3,854,294 |
| Utilities and others (Note 20) | **66,911,234** | 19,010,440 |
| Unearned revenue | **91,313,239** | – |
| Retentions payable | **60,373,869** | 69,482,280 |
| Output VAT | **64,043,299** | 40,046,774 |
| Payable to government agencies | **93,713,197** | 31,249,720 |
| | **₱1,750,913,920** | ₱868,237,174 |

Trade payables are incurred in the conduct of the Group's business with normal credit terms ranging from 30 to 45 days. Nontrade payables include concession privilege fee payable and payable to mine surveyor and subcontractor.

Retention payable pertains to the portion of the contractors' billings on the various construction projects retained by the Group and will be released upon acceptance of the completed projects and submission by the contractors of the certificate of completion and guarantee bond.

Payable to government agencies include other tax-related payable such as withholding tax and payable to Social Security System, Philippine Health Insurance Corporation and Pag-IBIG Fund Contributions. Deferred output VAT which is included as part of "Output VAT" pertains to output VAT of uncollected receivables from the rendering of the Group's services.

## 18. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. It includes companies in which one or more of the directors and/or shareholder of the Company either has a beneficial controlling interest or are in a position to exercise significant influence therein (i.e., affiliates).

Transactions between the Company and its subsidiaries and the related balances are eliminated at consolidation and are no longer included in the disclosures.

Transactions disclosed below pertain to the following related parties:

| Relationship | Name |
|---|---|
| Affiliates: | Philippine National Bank |
| | Philippine Airlines, Inc. (PAL) |
| | Air Philippines Corporation (APC) |

| Relationship | Name |
|---|---|
| Associated companies | LTP |
| | CPCS |

The following tables summarize the transactions with the Group's related parties and their account balances:

| Nature of Transaction | Outstanding balance 2019 | 2018 | Terms and conditions |
|---|---|---|---|
| | *(In millions)* | | |
| **Affiliates** | | | |
| Deposits and cash equivalents | **₱558.7** | ₱511.3 | On demand; prevailing interest rate |
| Rental deposit | **4.2** | 4.2 | To be refunded at the end of lease term; non-interest bearing |
| Trust fund retirement plan (Note 21) | **191.5** | 162.9 | Based on trustee agreement |

| Nature of Transaction | Amount of Transactions 2019 | 2018 (As restated, Note 2) | 2017 (As restated, Note 2) | Outstanding Balance Receivable (Payable) 2019 | 2018 (As restated, Note 2) | Terms and Conditions |
|---|---|---|---|---|---|---|
| | | | *(In millions)* | | | |
| **Affiliates** | | | | | | |
| Interest income on deposits and cash equivalents (Note 22) | **₱3.6** | ₱6.3 | ₱4.5 | **₱ –** | ₱ – | On demand; prevailing interest rate |
| Ground handling services | **2,338.3** | **1,122.0** | 809.7 | **804.6** | 330.1 | 30 day, unsecured, non-interest bearing, unimpaired |
| Equipment rent | **134.4** | **16.4** | 7.2 | **(141.4)** | (8.6) | On-demand, unsecured, non-interest bearing |
| Share in passenger lounge | **–** | **–** | – | **39.6** | (7.5) | On-demand, unsecured, non-interest bearing |
| Catering services | **957.3** | **136.4** | 119.5 | **330.8** | 31.1 | 30 day, unsecured, non-interest bearing, unimpaired |
| Share in rental and utilities in MIAA | **1.0** | **1.7** | 0.8 | **(0.3)** | (0.7) | On-demand, unsecured, non-interest bearing |
| Short - term debt (Note 16) | **163.5** | **243.5** | – | **(25.0)** | (188.5) | 5-8 year term loan, interest bearing based on benchmark rate, payable quarterly; no collateral |
| Long-term debt (Note 16) | **–** | **–** | 494.7 | **(970.0)** | (479.1) | |
| Interest expense | **34.5** | **27.8** | 8.6 | **(7.9)** | (4.2) | |
| Office rent | **2.8** | 1.2 | 0.6 | **–** | – | 30 day, unsecured, non-interest bearing, unimpaired |
| **Associated companies** | | | | | | |
| Administrative income from sublease of land | **30.5** | 30.5 | 30.5 | **–** | – | 25 years, non-interest bearing, includes impact of straight-line recognition of lease income |
| Service fee from preventive maintenance and waste water treatment services | **16.3** | 17.8 | 16.5 | **3.5** | 5.3 | 30 day, unsecured, non-interest bearing, unimpaired |
| Ground handling | **(4.7)** | (1.0) | – | **–** | (1.3) | 30 day, unsecured, non-interest bearing, unimpaired |
| Management services | **22.1** | 19.2 | 19.2 | **–** | – | 30 day, unsecured, non-interest bearing, unimpaired |
| Dividend declaration | **916.3** | 807.3 | 403.0 | **–** | 42.0 | On-demand, unsecured, non-interest bearing |

Outstanding balances at year-end are to be settled in cash. There have been no guarantees provided or received for any related party receivables or payables.

Ground handling and catering arrangements
Transactions with PAL and APC include ramp, passenger, cargo and other ground handling services and catering services. The Group also provides catering services to an airport lounge of PAL.

As of December 31, 2019 and 2018, the Group's trade receivables from related parties amounted to ₱1,175.0 million and ₱361.2 million, net of allowance amounting to ₱4.4 million (i.e., accounts for 61% and 40.6% of the total receivables and contract assets), respectively. The related party which comprises the significant portion of the Group's total receivable has been incurring losses resulting to a deficit and a negative working capital. We assessed that the carrying amount of the trade receivables from related parties are collectible.

Loans
In 2017, the Group availed an eight-year term loan facility amounting to ₱400.0 million with the local affiliated bank (see Note 16). The loan was availed to finance the Group's construction of kitchen facility. In 2019, the Group availed an eight-year term loan facility amounting to ₱250.0 million with the local affiliated bank. The carrying value of the loan as of December 31, 2019 and 2018 amounted to ₱616.7 million and ₱398.1 million, respectively. Interest expense incurred amounted to ₱14.1 million in 2019, ₱18.8 million in 2018 and ₱8.2 million in 2017 (Notes 12 and 16).

In 2017, the Group availed of two five-year term loans totalling to ₱94.2 million with the local affiliated bank for working capital and to finance the acquisition of groundhandling service equipment. The carrying value of the loan as of December 31, 2019 and 2018 amounted to ₱56.7 million and ₱79.1 million, respectively. Interest expense amounted to ₱4.2 million in 2019, ₱4.2 million in 2018 and ₱0.2 million in 2017.

The Group also has outstanding short term loans which amounted to ₱25 million and ₱188.5 million as of December 31, 2019 and 2018, respectively.

The Group received refundable rental deposit from LTP amounting to ₱24.6 million. As of December 31, 2019 and 2018, accreted value of rental deposit and is presented as part of "Other noncurrent liabilities" in the consolidated balance sheets amounted to ₱9.4 million and ₱8.2 million, respectively. Accretion of interest (included as part of "Financing charges" account) amounted to ₱1.9 million in 2019, ₱1.2 million in 2018 and ₱1.1 million in 2017 (see Note 22). As of December 31, 2019 and 2018, unearned rent income from nonrefundable deposits amounted to ₱6.5 million and ₱7.4 million, respectively.

The following are the transactions among related parties which are eliminated in the consolidated statements of income:

| Nature | Revenue and other income recognized by: | Costs and expenses recognized by: | **2019** | 2018 | 2017 |
|---|---|---|---|---|---|
| | | | | *(In Millions)* | |
| Service fees | MAC | MACS/ MASCORP/BTSI/MAPDC | **₱172.4** | ₱166.1 | ₱118.8 |
| Technical management fees | MAPDC | MSFI/ SNVRDC/BTSI/FAA | **1.0** | 13.2 | – |
| Land and building rental | MAPDC | MSFI/ SNVRDC | **16.6** | 16.6 | 16.6 |
| Dividend income | MAC | MAATS/ MACS/MASCORP | **53.6** | 60.3 | 56.9 |
| Water revenue | MONAD | BTSI | **16.3** | 7.7 | 10.7 |
| Gain on sale of equipment | MACS | MSFI | – | 12.9 | – |

The following are the balances among related parties which are eliminated in the consolidated balance sheets:

| Nature | Assets recognized by: | Liabilities recognized by: | December 31 2019 | 2018 |
|---|---|---|---|---|
| | | | *(In Millions)* | |
| Due from/to related parties | MAC | MASCORP/ MACS/ MAPDC/ / MAATS/ ASSC/ MMC | **₱1,469.8** | ₱1,175.6 |
| | MACS | MSFI/ MSICS | **129.1** | – |
| | MAPDC | SNVRDC/ BTSI/ NAWASCOR/ MPRDC/ PWRI/ WBSI/ CBRI/ MAATS/ MMC | **429.7** | 437.1 |
| | WBSI | CBRI | **10.0** | 10.0 |
| | ASSC | MAPDC/ MMC/ MAC | **5.5** | 5.5 |
| | MMC | BUMICO | **0.1** | 0.1 |
| Trade receivables/ payables | MAC | MAC/ MACS/ MAATS | **94.9** | 100.1 |
| | MASCORP | MAATS | **0.7** | 0.2 |
| | MACS | MASCORP/ MAC | **–** | 0.2 |
| | MAPDC | SNVRDC/ MSFI/ MAC | **19.6** | 15.4 |
| | BTSI | MONAD/NEWS | **58.7** | 30.3 |

Compensation of Key Management Personnel

The short-term benefits of the Company's key management personnel amounted to ₱117.9 million in 2019, ₱101.4 million in 2018 and ₱105.1 million in 2017. There are no termination benefits or share-based payments granted to key management personnel.

In accordance with the guidelines and regulations on corporate governance issued by SEC and other regulatory bodies, the Group adopted a policy on related party transactions. The material related party transactions policy shall cover transactions meeting the materiality threshold of 10% of the Group's total consolidated assets. All individual material related party transactions shall be approved by at least two-thirds (2/3) vote of the BOD with at least a majority of the independent directors voting to approve the material related party transaction.

## 19. Revenue and Direct Costs

Service Revenue

| | 2019 | 2018 (As restated, Note 2) | 2017 (As restated, Note 2) |
|---|---|---|---|
| Gross service revenue | **₱6,316,750,263** | ₱3,577,023,689 | ₱2,907,290,921 |
| Less discount | **148,919,156** | 150,404,279 | 136,500,684 |
| | **₱6,167,831,107** | ₱3,426,619,410 | ₱2,770,790,237 |

Disaggregated Revenue Information

The Group derives its revenue from transfer of goods and services over time and at a point in time, in different product types and within the Philippines.

Set out on the next page are the disaggregation of the Group's revenue for 2019 and 2018 and the reconciliation of the revenue from contracts with customers with the amounts disclosed in segment information (see Note 4).

2019

| | In-flight and Other Catering | Ground Handling and Aviation | Administrative (As restated, Note 2) | Water Treatment and Distribution* | Mining | Total |
|---|---|---|---|---|---|---|
| **Revenue from contracts with customers** | | | | | | |
| Services | | | | | | |
| Inflight and other catering | **₱2,758,346,616** | **₱–** | **₱–** | **₱–** | **₱–** | **₱2,758,346,616** |
| Passenger and ramp services | – | **2,579,417,701** | – | – | – | **2,579,417,701** |
| Cargo handling | – | **259,277,818** | – | – | – | **259,277,818** |
| Water distribution | – | – | – | **326,697,108** | – | **326,697,108** |
| Construction of STP | – | – | – | **5,089,286** | – | **5,089,286** |
| Operation and maintenance of STP | – | – | – | **15,811,460** | – | **15,811,460** |
| Exploratory drilling fees | – | – | – | – | **15,437,718** | **15,437,718** |
| Others | **42,827,126** | **30,867,806** | – | – | – | **73,694,932** |
| Goods | | | | – | | |
| Beverages and dry goods | **104,316,410** | – | – | – | – | **104,316,410** |
| | **2,905,490,152** | **2,869,563,325** | – | **347,597,854** | **15,437,718** | **6,138,089,049** |
| **Administrative fee** | – | – | **29,742,058** | – | – | **29,742,058** |
| **Total** | **₱2,905,490,152** | **₱2,869,563,325** | **₱29,742,058** | **₱347,597,854** | **₱15,437,718** | **₱6,167,831,107** |

**In 2019, revenue eliminated in rental and administrative and water treatment and distribution segments amounted to₱1.3 million and ₱16.3 million, respectively.*

2018

| | In-flight and Other Catering | Ground Handling and Aviation | Administrative (As restated, Note 2) | Water Treatment and Distribution* | Mining | Total |
|---|---|---|---|---|---|---|
| **Revenue from contracts with customers** | | | | | | |
| Services | | | | | | |
| Inflight and other catering | **₱1,495,324,042** | **₱–** | **₱–** | **₱–** | **₱–** | **₱1,495,324,042** |
| Passenger and ramp services | – | **1,361,111,692** | – | – | – | **1,361,111,692** |
| Cargo handling | – | **63,509,619** | – | – | – | **63,509,619** |
| Water distribution | – | – | – | **157,911,390** | – | **157,911,390** |
| Construction of STP | – | – | – | **112,756,360** | – | **112,756,360** |
| Operation and maintenance of STP | – | – | – | **375,414** | – | **375,414** |
| Others | **40,246,022** | **39,326,240** | – | – | – | **79,572,262** |
| Goods | | | | – | | |
| Beverages and dry goods | **128,200,919** | – | – | – | – | **128,200,919** |
| | **1,663,770,983** | **1,463,947,551** | – | **271,043,164** | – | **3,398,761,698** |
| **Administrative fee** | – | – | **27,857,712** | – | – | **27,857,712** |
| **Total** | **₱1,663,770,983** | **₱1,463,947,551** | **₱27,857,712** | **₱271,043,164** | **₱–** | **₱3,426,619,410** |

**In 2018, revenue eliminated in administrative and water treatment and distribution segments amounted to ₱7.7 million and ₱16.6 million, respectively.*

.

2017

| | In-flight and Other Catering | Ground Handling and Aviation | Administrative (As restated, Note 2) | Water Treatment and Distribution* | Mining | Total |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Services | | | | | | |
| Inflight and other catering | **₱1,272,167,458** | **₱–** | **₱–** | **₱–** | **₱–** | **₱1,272,167,458** |
| Passenger and ramp services | – | **1,031,617,643** | – | – | – | **1,031,617,643** |
| Cargo handling | – | – | – | – | – | – |
| Water distribution | – | – | – | **142,646,814** | – | **142,646,814** |
| Others | **130,150,753** | – | – | – | **27,259,722** | **157,410,475** |
| Goods | | | | | | |
| Beverages and dry goods | **138,682,142** | – | – | – | – | **138,682,142** |
| | **1,541,000,353** | **1,031,617,643** | – | **142,646,814** | **27,259,722** | **2,742,524,532** |
| **Administrative fee** | – | – | **28,265,705** | | – | **28,265,705** |
| **Total** | **₱1,541,000,353** | **₱1,031,617,643** | **₱27,857,712** | **₱142,646,814** | **₱27,259,722** | **₱2,770,790,237** |

Others include laundry, warehousing and other ancillary services rendered by MACS and MASCORP.

| **Timing of revenue recognition** | **2019** | 2018 |
|---|---|---|
| Goods or services transferred overtime | **₱6,063,514,697** | ₱3,298,418,491 |
| Goods transferred at a point in time | **104,316,410** | 128,200,919 |
| | **₱6,167,831,107** | ₱3,426,619,410 |

Contract Balances

The Group's gross trade receivables amounted to ₱1,829.8 million and ₱814.5 million as at December 31, 2019 and 2018, respectively (see Note 6). The significant increase in trade receivables in 2019 is due to new airline customers and increased business in water segment.

As of December 31, 2019 and 2018, the Group's contract asset amounted to ₱20.8 million and ₱28.3 million (see Notes 6 and 15). The Group does not have contract liabilities as of December 31, 2019 and 2018.

Direct costs

| | **2019** | 2018 (As restated, Notes 2 and 10) | 2017 (As restated, Note 2) |
|---|---|---|---|
| Salaries and wages | **₱1,574,521,074** | ₱697,125,732 | ₱548,726,581 |
| Food (Note 7) | **1,206,608,196** | 676,937,203 | 603,754,502 |
| Contractual services | **763,865,636** | 338,733,294 | 189,119,432 |
| Concession privilege fee (Note 29) | **360,839,555** | 198,643,074 | 165,432,597 |
| Depreciation and amortization (Notes 12, 14 and 28) | **191,099,090** | 180,797,286 | 131,886,580 |
| Leases (Notes 18 and 28) | **124,016,404** | 79,740,868 | 31,831,833 |
| Repairs and maintenance | **119,633,035** | 65,582,077 | 66,753,249 |
| Employee benefits (Note 21) | **95,849,021** | 73,576,148 | 56,634,877 |
| Overhead | **90,891,677** | 56,279,345 | 70,783,030 |
| Supplies (Note 7) | **76,038,939** | 154,774,471 | 38,075,477 |
| Utilities | **50,683,775** | 20,611,210 | 25,030,268 |
| Insurance | **20,855,024** | 12,463,400 | 10,822,025 |
| Laundry | **13,147,398** | 12,197,195 | 13,104,645 |
| Others | **127,810,551** | 31,924,277 | 32,955,499 |
| | **₱4,815,859,376** | ₱2,599,385,580 | ₱1,984,910,595 |

## 20. **Operating Expenses**

| | **2019** | 2018 (As restated, Notes 2 and 10) | 2017 (As restated, Note 2) |
|---|---|---|---|
| Selling – | | | |
| Advertising and promotions | **₱9,938,579** | ₱5,559,169 | ₱2,378,570 |
| General and administrative: | | | |
| Salaries and wages | **248,929,636** | 190,420,085 | 161,011,608 |
| Employee benefits (Note 21) | **115,931,308** | 113,479,428 | 86,623,233 |
| Depreciation and amortization (Notes 12, 14 and 28) | **77,795,775** | 31,340,222 | 51,665,927 |
| Repairs and maintenance | **68,526,930** | 24,923,913 | 26,872,370 |
| Taxes and licenses (Note 13) | **67,779,179** | 54,184,422 | 33,512,447 |
| Professional and legal fees | **61,605,030** | 52,638,386 | 20,883,643 |
| Project expenses | **48,927,226** | 3,136,137 | 2,138,323 |
| Service fee (Note 29) | **48,257,394** | 38,251,508 | 34,658,020 |
| Security and janitorial | **41,720,064** | 17,752,977 | 17,307,368 |

*(Forward)*

| | 2019 | 2018 (As restated, Notes 2 and 10) | 2017 (As restated, Note 2) |
|---|---|---|---|
| Transportation and travel | **₱33,898,463** | ₱28,293,237 | ₱20,364,048 |
| Entertainment, amusement and recreation | **29,259,951** | 15,196,486 | 14,735,430 |
| Utilities | **29,103,185** | 19,750,444 | 11,004,816 |
| Supplies | **28,198,627** | 17,320,155 | 16,586,747 |
| Provisions for probable losses (Notes 6, 8 and 30) | **16,142,666** | 13,135,673 | 12,586,778 |
| Rent (Notes 18 and 28) | **15,155,725** | 11,574,449 | 13,603,909 |
| Mining expenses (Note 30) | **13,436,723** | 6,516,673 | 2,767,638 |
| Directors' fees | **11,152,184** | 8,060,392 | 9,301,669 |
| Communications | **9,488,927** | 5,695,007 | 5,182,389 |
| Gas and oil | **7,284,629** | 5,487,369 | 4,982,664 |
| Insurance | **5,672,441** | 2,343,802 | 2,528,976 |
| Others | **50,316,047** | 45,652,414 | 50,732,161 |
| | **1,028,582,110** | 705,153,179 | 599,050,164 |
| | **₱1,038,520,689** | ₱710,712,348 | ₱601,428,734 |

Others include quality control related expenses (e.g., hygiene and sanitation), company activities and projects, and personnel training costs.

## 21. Employee Benefits Costs

Accrued retirement and other employee benefits payable consists of the following:

| | 2019 | 2018 |
|---|---|---|
| Accrued retirement benefits payable | **₱66,607,764** | ₱19,349,822 |
| Other employee benefits | **26,481,930** | 9,703,649 |
| | **₱93,089,694** | ₱29,053,471 |

Retirement Benefits Cost

The Group has funded, non-contributory defined benefit group retirement plans, covering all of their permanent employees. The retirement benefit is equal to a certain percentage of the monthly final salary for every year of service. The fund is administered by a trustee bank which is responsible for investment strategy of the plan, in consultation with the Group's Management.

Under the existing regulatory framework, Republic Act 7641, *Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The components of retirement benefits cost recognized in profit or loss follow:

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Current service cost | **₱41,995,458** | ₱26,050,670 | ₱22,174,708 |
| Net interest cost (income) | **(1,324,603)** | (114,623) | 181,471 |
| | **₱40,670,855** | ₱25,936,047 | ₱22,356,179 |
| | | | |
| Portions recognized in: | | | |
| Direct costs (Note 19) | **₱16,342,069** | ₱18,865,372 | ₱16,196,333 |
| Operating expenses (Note 20) | **24,328,786** | 7,070,675 | 6,159,846 |
| | **₱40,670,855** | ₱25,936,047 | ₱22,356,179 |

The details of the remeasurement in other comprehensive income are as follows:

| | **2019** | 2018 | 2017 |
|---|---|---|---|
| Actuarial gain (loss) on defined benefit obligation arising from changes in: | | | |
| Experience adjustments | **(₱18,355,611)** | (₱4,651,024) | ₱548,760 |
| Financial assumptions | **(49,519,472)** | 25,432,270 | 5,219,582 |
| | **(67,875,083)** | 20,781,246 | 5,768,342 |
| Remeasurement loss on plan assets | **(4,085,391)** | (7,893,810) | (4,155,180) |
| | **(71,960,474)** | 12,887,436 | 1,613,162 |
| Tax effect | **13,842,925** | (3,875,328) | 1,090,289 |
| | **(₱58,117,549)** | ₱9,012,108 | ₱2,703,451 |

The details of the accrued retirement benefits payable, net of pension assets, are as follows:

| | **2019** | 2018 |
|---|---|---|
| Present value of defined benefit obligation | **₱256,375,216** | ₱145,040,559 |
| Fair value of plan assets | **191,497,366** | 162,900,950 |
| | **₱64,877,850** | (₱17,860,391) |

Movements in accrued retirement benefits payable and pension asset follow:

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Accrued retirement benefits payable** | **Pension asset** (Note 15) | Accrued retirement benefits payable | Pension asset (Note 15) |
| Beginning balance | **₱19,349,822** | **₱37,210,213** | ₱17,484,359 | ₱19,505,487 |
| Retirement benefits cost recognized in profit or loss | **40,726,616** | **(55,761)** | 7,256,815 | (18,679,232) |
| Remeasurements in other comprehensive income | **71,790,216** | **(170,258)** | 608,648 | 13,496,083 |
| Contributions | **(29,893,088)** | **–** | (6,000,000) | 22,887,875 |
| Accrued retirement resulting from business combination (Note 10) | **(35,365,802)** | **(35,254,280)** | – | – |
| Ending balance | **₱66,607,764** | **₱1,729,914** | ₱19,349,822 | ₱37,210,213 |

Changes in present value of defined benefit obligation are as follows:

| | **2019** | 2018 |
|---|---|---|
| Beginning balance | **₱145,040,559** | ₱134,493,428 |
| Current service cost | **41,995,458** | 26,050,670 |
| Interest cost | **10,726,716** | 7,581,764 |
| Actuarial loss (gain) on retirement obligation | **67,875,083** | (20,781,246) |
| Benefits paid out of the Group's plan assets | **(9,262,600)** | (2,304,057) |
| Ending balance | **₱256,375,216** | ₱145,040,559 |

Changes in fair value of plan assets are as follows:

| | **2019** | 2018 |
|---|---|---|
| Beginning balance | **₱162,900,950** | ₱136,514,556 |
| Interest income on plan assets | **12,051,319** | 7,696,387 |
| Contributions to the plan | **29,893,088** | 28,887,875 |
| Benefits paid | **(9,262,600)** | (2,304,057) |
| Remeasurement loss on plan assets | **(4,085,391)** | (7,893,811) |
| Ending balance | **₱191,497,366** | ₱162,900,950 |
| Actual return (loss) on plan assets | **₱64,877,850** | (₱17,860,391) |

The major categories of plan assets are as follows:

| | **2019** | 2018 |
|---|---|---|
| Cash and cash equivalents | **₱3,557,978** | ₱32,731 |
| Debt instruments: | | |
| Government securities | **173,914,979** | 144,587,325 |
| Quoted debt securities | **13,962,571** | 18,176,167 |
| Receivables | **61,838** | 104,727 |
| | **₱191,497,366** | ₱162,900,950 |

The plan assets have diverse investments and do not have any concentration risk.

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining retirement benefits cost and obligations as of January 1 are shown on the next page.

| | **2019** | 2018 |
|---|---|---|
| Average discount rates | **7.40%** | 7.37%-7.41% |
| Average future salary increases | **5.00%** | 5.00% |

The average discount rate as of December 31, 2019 is 5.05%.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of defined benefit obligation as of December 31, assuming all other assumptions were held constant:

| Assumptions: | **2019** | 2018 |
|---|---|---|
| Discount rate: | | |
| +100 basis points | **(₱25,249,930)** | (₱9,728,253) |
| -100 basis points | **35,368,700** | 12,813,325 |
| Salary increase rate: | | |
| +100 basis points | **34,274,080** | 12,729,268 |
| -100% basis points | **(25,056,941)** | (4,500,982) |

There were no changes in the methods and assumptions from the previous periods used in preparing the sensitivity analysis.

Shown below is the maturity analysis of the undiscounted benefit payments:

| Date of retirement: | **2019** | 2018 |
|---|---|---|
| 1 year and less | **₱1,895,465** | ₱– |
| more than 1 year to 5 years | **51,108,386** | 33,257,826 |
| more than 5 years to 10 years | **160,829,265** | 98,903,745 |
| more than 10 years to 15 years | **187,681,472** | 114,265,974 |
| more than 15 years to 20 years | **275,610,565** | 194,703,089 |
| more than 20 years | **14,890,076,805** | 8,764,475,761 |

The Group expects to contribute ₱68.8 million in 2020. The Group does not currently employ any asset-liability matching strategies.

Other employee benefits

Employees can accumulate earned leave credits, which can be used anytime when needed by the employee or converted to cash, computed based on the employee's final rate upon separation (i.e., resignation or retirement). Accumulated leave credits are presented as "Other employee benefits" which amounted to ₱26.5 million and ₱9.7 million as of December 31, 2019 and 2018, respectively. Provision for accumulating leave credits amounted to ₱16.8 million in 2019, reversal for accumulating leave credits amounted to ₱0.2 million in 2018 and provision for accumulating leave credits amounted to ₱2.1 million in 2017.

## 22. Other Income (Charges)

a. Interest income was derived from:

| | **2019** | 2018 | 2017 |
|---|---|---|---|
| Cash and cash equivalents (Notes 5 and 18) | **₱6,623,302** | ₱8,307,155 | ₱5,454,280 |
| Debt instruments at FVTOCI (Note 15) | – | 928,802 | 1,819,500 |
| Accretion of refundable deposits (Note 28) | **1,413,647** | 1,379,937 | 1,208,566 |
| Installment receivables (Note 6) | **3,738,366** | 460,707 | – |
| | **₱11,775,315** | ₱11,076,601 | ₱8,482,346 |

b. Financing charges pertain to:

| | **2019** | 2018 (As restated, Note 2) | 2017 (As restated, Note 2) |
|---|---|---|---|
| Notes payable and long-term debts (Notes 16 and 18) | **₱59,015,513** | ₱25,203,099 | ₱8,305,240 |
| Lease liabilities (Note 28) | **27,425,044** | 24,902,553 | 23,765,390 |
| Accretion of refundable deposits (Note 18) | **1,936,700** | 1,248,148 | 1,082,649 |
| | **₱88,377,257** | ₱51,353,800 | ₱33,153,279 |

c. Other income - net consist of:

| | **2019** | 2018 | 2017 |
|---|---|---|---|
| Construction revenue (Note 14) | **₱306,255** | ₱24,406,608 | **₱**718,581 |
| Construction costs (Note 14) | **(306,255)** | (24,406,608) | (718,581) |
| Connection and reconnection fees | **1,196,694** | 1,551,367 | 1,265,152 |
| Loss on sale of investment in debt securities (Note 15) | – | (6,846,940) | – |
| Special flight permits | – | – | 9,682,037 |
| Reversal of prior years' accruals and long outstanding checks | – | – | 5,695,380 |
| Others - net | **52,608,443** | 35,061,746 | 23,766,190 |
| | **₱53,805,137** | ₱29,766,173 | ₱40,408,759 |

Others include management fee charged to an associate amounting to ₱22.1 million and ₱19.2 million in 2019 and 2018, respectively (see Note 18).

## 23. Foreign Currency-denominated Monetary Assets and Liabilities

The Group's foreign currency-denominated monetary assets and liabilities as of December 31 are as follows:

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **US Dollar** | **Total Peso Equivalent** | US Dollar | Total Peso Equivalent |
| **Assets** | | | | |
| Cash and cash equivalents | **$4,528,444** | **₱234,614,411** | $5,195,336 | ₱273,172,382 |
| Receivables | **8,685,429** | **335,503,235** | 5,647,769 | 296,959,680 |
| | **13,213,873** | **570,117,646** | 10,843,105 | 570,132,062 |
| **Liabilities** | | | | |
| Accounts payable and accrued liabilities | **175,093** | **8,284,192** | 470,032 | 24,714,276 |
| Notes payable and long term debts (Note 16) | **4,153,333** | **210,304,035** | 4,037,000 | 212,265,460 |
| | **4,328,426** | **218,588,227** | 4,507,032 | 236,979,736 |
| Net foreign currency-denominated assets | **$8,885,447** | **₱351,529,419** | $6,336,073 | ₱333,152,326 |

As of December 31, 2019 and 2018, the exchange rates of the Peso to US$ dollar were ₱50.63 and ₱52.58 to US$1, respectively.

## 24. Registration with the Philippine Economic Zone Authority (PEZA), Mactan Cebu International Airport Authority (MCIAA) and Subic Bay Metropolitan Authority (SBMA)

The Group, through MASCORP and MAPDC, is registered with the PEZA and has commercial operations as the Ecozone Developer/Operator of the MacroAsia Special Ecozone at the Ninoy Aquino International Aiport (NAIA) and at Mactan Cebu International Airport (MCIA). MacroAsia Special Ecozone is the only existing ecozone within NAIA.

In 2018, the Group, through FAA, was issued Certificate of Registration and Tax Exemption and was granted rights, privileges and benefits as a Subic Bay Freeport Enterprise in accordance with Republic Act No. 7227, Bases Conversion and Development Act of 1992, the rules of authority bestowed on the SBMA.

Under the terms of their registrations, the Group is entitled to certain tax benefits provided for under relevant rules and regulations which include, among others, exemption from payment of all national internal revenue taxes and all local government imposed fees, licenses or taxes. In lieu thereof, MAPDC and FAA shall pay a 5% final tax on gross income earned from their operations within the special tax zones.

## 25. Income Taxes

a. The current provision for income tax is as follows:

| | **2019** | 2018 | 2017 |
|---|---|---|---|
| RCIT | **₱183,994,720** | ₱115,108,725 | ₱113,821,423 |
| MCIT | **7,915,305** | 4,464,679 | 3,067,898 |
| Final tax on interest | **1,117,956** | 1,660,945 | 1,132,254 |
| 5% final tax on gross income | **950,722** | 807,618 | 535,288 |
| | **₱193,978,703** | ₱122,041,967 | ₱118,556,863 |

The Company's and subsidiaries' net deferred income tax assets (liabilities) as of December 31 are as follows:

| | **2019** | | 2018 (As restated, Notes 2 and 10) | |
|---|---|---|---|---|
| | **Net Deferred Income Tax Assets** | **Net Deferred Income Tax Liabilities** | Net Deferred Income Tax Assets | Net Deferred Income Tax Liabilities |
| *Recognized directly in the consolidated statements of income:* | | | | |
| **Deferred income tax assets on:** | | | | |
| Allowances for: | | | | |
| ECL | **₱4,658,109** | **₱–** | ₱2,236,700 | ₱2,238,894 |
| Probable losses | **7,639,680** | – | 14,410,819 | – |
| Accrued rental expense | **619,828** | – | – | 185,343 |
| Accrued retirement benefits payable and other employee benefits | **15,926,513** | – | 3,932,645 | 2,639,223 |
| Accrued expenses | **13,539,422** | – | 2,262,140 | 1,447,904 |
| Lease liabilities | **10,490,949** | **2,488,789** | 6,403,883 | – |
| Unrealized foreign exchange loss | **1,317,137** | – | 382,758 | 1,615,794 |
| Unamortized past service cost | **511,118** | **34,924** | 1,967,788 | 543,182 |
| NOLCO | – | – | – | 6,487,841 |
| | **54,702,756** | **2,523,713** | 31,596,733 | 15,158,181 |
| **Deferred income tax liabilities on:** | | | | |
| Contract assets | **–** | **(6,244,619)** | – | (8,432,960) |
| Right-of-use assets | **(634,945)** | **(3,017,715)** | – | – |
| Fair value adjustment on property, plant and equipment as a result of business combination | **–** | **(128,531,790)** | – | (130,332,404) |
| | **(634,945)** | **(137,794,124)** | – | (138,765,364) |

*(Forward)*

| | 2019 | | 2018 (As restated, Notes 2 and 10) | |
|---|---|---|---|---|
| | **Net Deferred Income Tax Assets** | **Net Deferred Income Tax Liabilities** | Net Deferred Income Tax Assets | Net Deferred Income Tax Liabilities |
| *Recognized directly in equity:* | | | | |
| **Deferred income tax liabilities on:** | | | | |
| Fair value changes of equity investments designated as FVTOCI | **₱–** | **(₱7,530,000)** | ₱– | (₱5,880,000) |
| Remeasurement gain | **(2,169,813)** | **–** | (6,265,442) | (9,123,267) |
| | **(2,169,813)** | **(7,530,000)** | (6,265,442) | (15,003,267) |
| | **₱51,897,998** | **(₱142,800,411)** | ₱25,331,291 | (₱138,610,450) |

b. As of December 31, the deductible temporary differences, NOLCO and MCIT for which no deferred income tax assets were recognized in the consolidated balance sheets are as follows:

| | **2019** | 2018 | 2017 |
|---|---|---|---|
| Deductible temporary differences on: | | | |
| Allowances for probable losses - Deferred mine exploration costs | **₱217,070,924** | ₱217,070,924 | ₱217,070,924 |
| Accrued retirement benefits payable | **9,499,895** | 10,710,549 | 4,784,880 |
| Accrued rental expense | **21,125,027** | 17,534,737 | 17,534,737 |
| Unrealized foreign exchange losses | **524,972** | 748,675 | 1,365,952 |
| NOLCO | **495,579,393** | 378,668,161 | 251,632,174 |
| MCIT | **4,043,964** | 8,359,259 | 5,399,931 |

The Group did not recognize deferred income tax assets on these temporary differences, NOLCO and MCIT as management believes that certain companies in the Group may not have sufficient taxable income against which these temporary differences and NOLCO can be used or RCIT payable against which the MCIT can be applied.

c. MCIT can be deducted against the RCIT and NOLCO can be claimed as deduction from regular taxable income. As of December 31, the details of the Group's NOLCO and MCIT follow:

| | | **NOLCO** | | **MCIT** | |
|---|---|---|---|---|---|
| Year Incurred | Expiry Date | **2019** | 2018 | **2019** | 2018 |
| 2019 | 2022 | **₱219,055,865** | **₱–** | **₱4,357,970** | **₱–** |
| 2018 | 2021 | **174,839,206** | **174,839,206** | **4,464,679** | **4,464,679** |
| 2017 | 2020 | **101,684,322** | **101,684,322** | **3,067,898** | **3,067,898** |
| 2016 | 2019 | **–** | **102,144,633** | **–** | **826,682** |
| | | **₱495,579,393** | **₱378,668,161** | **₱11,890,547** | **₱8,359,259** |

Movements of NOLCO and MCIT are as follows:

| | NOLCO | | MCIT | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| Beginning balance | **₱378,668,161** | ₱251,632,174 | **₱8,359,259** | ₱5,399,931 |
| Additions | **219,055,865** | 174,839,206 | **4,357,970** | 4,464,679 |
| Expired | **(102,144,633)** | (47,803,219) | **(826,682)** | (1,505,351) |
| Ending balance | **₱495,579,393** | ₱378,668,161 | **₱11,890,547** | ₱8,359,259 |

d. The reconciliation of the provision for income tax at the statutory tax rates to the provision for income tax as shown in the consolidated statements of income is as follows:

| | **2019** | 2018 (As restated, Notes 2 and 10) | 2017 (As restated, Note 2) |
|---|---|---|---|
| Provision for income tax computed at the statutory tax rate | **₱444,670,313** | ₱361,264,733 | ₱354,789,845 |
| Adjustments resulting from: | | | |
| Share in earnings of associates | **(323,178,121)** | (321,004,376) | (293,552,672) |
| Nondeductible expenses | **4,489,218** | 20,289,851 | 7,000,601 |
| Movements in deductible temporary differences, NOLCO and MCIT for which no deferred income tax assets were recognized | **66,320,193** | 57,396,962 | 38,742,856 |
| Derecognized deferred income tax assets | – | – | 9,875,126 |
| Interest income already subjected to final tax at lower rates or not subject to income tax | **(960,421)** | (607,524) | (432,724) |
| Provision for income tax | **₱191,341,182** | ₱117,339,646 | ₱116,423,032 |

## 26. Basic/Diluted Earnings Per Share

Basic/diluted earnings per share are computed as follows:

| | **2019** | 2018 (As restated, Notes 2 and 10) | 2017 (As restated, Note 2) |
|---|---|---|---|
| Net income attributable to equity holders of the Company | **₱1,129,066,014** | ₱1,051,242,575 | ₱1,022,721,639 |
| Divided by weighted average number of common shares outstanding* | **1,584,022,660** | 1,592,101,672 | 1,597,917,588 |
| | **₱0.71** | ₱0.66 | ₱0.64 |

**Computed as if the issuance of shares of stock of 368,146,293 shares resulting from 30% stock dividends in 2018 have been recognized since January 1, 2017.*

There are no potential common shares with dilutive effect on the basic earnings per share in 2019, 2018 and 2017.

## 27. Equity

*Capital stock*

a. Track record of registration of securities

On August 30, 1974, the Philippine SEC authorized the registration and licensing of the Company's securities with total par value of ₱20.0 million divided into 2,000,000,000 shares with a par value of ₱0.01 per share.

On December 10, 1993, the Company amended its articles of incorporation, increasing the par value of its shares from ₱0.01 per share to ₱1.00 per share.

On March 22, 2000, the Philippine Stock Exchange (PSE) authorized to list the Company's 750,000,000 shares, with a par value of ₱1.00 per share and 500,000,000 warrants divided into the following:

i. 250,000,000 shares to cover the 1:4 stock rights offering to stockholders of record as of April 12, 2000 at an offer price of ₱2.00 per share;
ii. 500,000,000 warrants to cover the 2:1 warrants offering attached to and detachable from the rights shares at a subscription price of ₱0.10 per warrant; and
iii. 500,000,000 shares to cover the underlying shares of warrants at an exercise price of ₱6.00 per share. Actual listing of the underlying common shares of the warrants shall take effect upon the exercise of the warrants.
iv. All warrants expired in 2005.

MAC's shares are listed and traded at the PSE and the number of holders of its common equity as of December 31, 2019 and 2018 is 845 and 842, respectively.

b. The Company's authorized capital stock is 2,000,000,000 shares with ₱1 per share. Movements in the Company's issued, treasury and outstanding shares are as follows:

| | Issued | Treasury | Outstanding |
|---|---|---|---|
| As of December 31, 2009 | 1,250,000,000 | – | 1,250,000,000 |
| Acquisition of treasury shares in 2010 | – | (2,985,000) | (2,985,000) |
| As of December 31, 2010 | 1,250,000,000 | (2,985,000) | 1,247,015,000 |
| Acquisition of treasury shares in 2011 | – | (7,486,000) | (7,486,000) |
| As of December 31, 2011 | 1,250,000,000 | (10,471,000) | 1,239,529,000 |
| Acquisition of treasury shares in 2012 | – | (6,125,000) | (6,125,000) |
| As of December 31, 2014, 2015 and 2016 | 1,250,000,000 | (16,596,000) | 1,233,404,000 |
| Acquisition of treasury shares in 2017 | – | (6,249,600) | (6,249,600) |
| As of December 31, 2017 | 1,250,000,000 | (22,845,600) | 1,227,154,400 |
| Stock dividend declaration (Note 17) | 368,146,293 | – | 368,146,293 |
| Acquisition of treasury shares in 2018 | – | (3,949,100) | (3,949,100) |
| As of December 31, 2018 | 1,618,146,293 | (26,794,700) | 1,591,351,593 |
| Acquisition of treasury shares in 2019 | – | (12,845,600) | (12,845,600) |
| As of December 31, 2019 | 1,618,146,293 | (39,640,300) | 1,578,505,993 |

*Treasury shares*

c. Treasury stock

On March 14, 2019, the Company's BOD approved the additional funding of ₱200.0 million for the 2017 Share Buyback Program of the Corporation.

On June 15 2017, the Company's BOD approved to allot ₱210.0 million to repurchase shares of the Company at market price. The mechanics of the 2017 Buyback Program is similar to the ₱50.0 million buyback program implemented in 2010. The Program commenced on June 20, 2017 and will run until the ₱210.0 million pesos authorized cash outlay is fully utilized, or until such time that the Company's BOD may direct, subject to appropriate disclosures to the PSE and the SEC.

On July 16, 2010, the Company's BOD approved the Share Buyback Program (the Program) involving a total cash outlay of ₱50.0 million for the repurchase of the outstanding common shares of the Company from the market, using the trading facilities of the PSE. The Program will not involve any active or widespread solicitation for stockholders to sell. Repurchase of shares of stock will be done during the period of the Program at such prices perceived by the Company to be lower than the inherent value of the share. The Program will run until the ₱50.0 million authorized cash outlay is fully utilized or until such time that the Company's BOD may direct, subject to appropriate disclosures to the PSE and the Philippine SEC.

As of December 31, 2019 and 2018, the Company's cost and number of shares held in treasury are as follows:

| | **2019** | 2018 |
|---|---|---|
| Cost | **₱426,826,835** | ₱176,215,402 |
| Number of shares held in treasury | **39,640,300** | 26,794,700 |

*Retained earnings*

d. Restriction on retained earnings

The retained earnings as of December 31 is restricted for dividend declaration for the portion equivalent to the following:

- Undistributed earnings of subsidiaries and equity in net earnings of associates amounting to ₱1,645.0 million and ₱1,088.1 million as of December 31, 2019 and 2018, respectively. Further, the undistributed earnings of subsidiaries include appropriated retained earnings of MACS and MASCORP totalling to ₱795.0 million and ₱505.0 million as of December 31, 2019 and 2018, respectively.

- Cost of treasury shares amounting to ₱426.8 million and ₱176.2 million as of December 31, 2019 and 2018, respectively.

- Deferred income tax assets amounting to ₱57.2 million and ₱46.8 million as of December 31, 2019 and 2018, respectively.

e. Appropriation and reversal of appropriation of retained earnings

As of December 31, 2016 and 2017, the Company's retained earnings included appropriated amounts of ₱393.1 million and ₱300.0 million for the mining development projects and water projects, respectively. These were originally approved for appropriation in 2011.

On March 22, 2018, the Company's BOD approved the reversal of the appropriation for mining development projects amounting to ₱393.1 million. The appropriation for water projects is retained for the next few years as aligned with the Groupwide water related projects ranging two to three years.

On December 12, 2019, the Company's BOD approved the reversal of the appropriation for water projects amounting to ₱300.0 million and appropriation of ₱850.0 million for various projects to be undertaken by the Group. The appropriation for water projects is retained for the next few years as aligned with the Groupwide water related projects ranging two to three years.

Appropriated retained earnings as of December 31, 2019 and 2018 amounted to ₱1,645.0 million and ₱1,088.1 million, respectively.

f. Dividends declared by the Company from the unappropriated retained earnings are as follows:

| Type | Date Approved | Per share | Stockholder of Record Date | Date of Payment |
|---|---|---|---|---|
| Cash | March 14, 2019 | ₱0.20 | April 12, 2019 | May 10, 2019 |
| Stock | July 20, 2018 | 30% | August 17, 2018 | September 12, 2018 |
| Cash | December 13, 2017 | ₱0.14 | January 5, 2018 | January 31, 2018 |
| Cash | December 14, 2016 | ₱0.08 | January 6, 2017 | February 1, 2017 |

g. Cash dividends received by non-controlling interest are as follows:

| Entity | Date Declared | Amount | Per share | Dividends attributable to non-controlling interest (SATS) |
|---|---|---|---|---|
| MACS | December 27, 2019 | ₱80,000,000 | ₱64.0 | ₱26,400,000 |
| MACS | December 6, 2018 | 75,000,000 | 60.0 | 24,750,000 |
| MACS | November 28, 2017 | 70,000,000 | 56.0 | 23,100,000 |
| MACS | December 8, 2016 | 50,000,000 | 40.0 | 16,500,000 |

As of December 31, 2019 and 2018, ₱26.4 million and ₱12.4 million, respectively, remained outstanding and presented as "Dividends payable" in the consolidated balance sheets..

*Other reserves*

h. The sale of 250,001 shares representing 20% of the total issued and outstanding capital stock of MASCORP to Konoike amounting to ₱1.1 billion (JPY 2.3 billion) was accounted for as a sale of share in subsidiary without loss of control, thus an equity transaction. The excess of consideration received over the carrying amount of the non-controlling interests amounted to ₱886.8 million, which is presented as part of "Other reserves" in the equity section of the consolidated balance sheets.

i. In December 2015, the Group, through MAPDC, entered into a share purchase agreement with a third party wherein WBSI shall be owned by MAPDC and the third party at 51% and 49%, respectively. The transaction was accounted for as a sale of share in subsidiary without loss of control; thus an equity transaction. The excess of consideration received over the carrying amount of the non-controlling interests amounted to ₱24.3 million, which is presented as part of "Other reserves" in the equity section of the consolidated balance sheets.

j. In July 2015, the Company signed a Sale and Purchase Agreement with SATS to sell 162,500 shares representing 13% of the total issued and outstanding capital stock of MACS. After the sale, MACS is 33% owned by SATS. The excess of consideration received over the carrying amount of the non-controlling interests amounted to ₱119.0 million, which is presented as part of "Other reserves" in the equity section of the consolidated balance sheets.

## 28. Leases

The Group has various operating lease agreements with airport authorities for its catering and ground handling operations and with a third party lessor for the Group's office spaces and land. The Group also has land subleased to an associate and accounted for as net investment in the lease. Leases of office space between 5 and 35 years, while land generally have lease terms between 5 and 50 years.

The Group has certain lease of land with lease term of 12 months or less that the Group applies the 'short-term lease'exemptions for these leases.

Set out below is the carrying amount of the net investment in the lease recognised and the movements during the period:

| | **2019** | 2018 |
|---|---|---|
| At January 1 | **₱1,169,089,704** | ₱1,167,217,957 |
| Accretion of interest | **2,754,488** | 1,871,747 |
| At December 31 | **₱1,171,844,192** | ₱1,169,089,704 |

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

| | **2019** | | | |
|---|---|---|---|---|
| | Land | Office space | Land and office space | Total |
| **Cost** | | | | |
| At January 1 | **₱496,795,403** | **₱60,431,856** | **₱34,519,510** | **₱591,746,769** |
| Additions | **–** | **–** | **2,513,321** | **2,513,321** |
| | **496,795,403** | **60,431,856** | **37,032,831** | **594,260,090** |
| **Accumulated Depreciation and Amortization** | | | | |
| At January 1 | **(39,116,080)** | **(14,978,161)** | **(3,700,954)** | **(57,795,195)** |
| Depreciation | **(23,066,250)** | **(9,916,006)** | **(3,915,650)** | **(36,897,906)** |
| At December 31 | **(62,182,330)** | **(24,894,167)** | **(7,616,604)** | **(94,693,101)** |
| **Net Book Value** | **₱434,613,073** | **₱35,537,689** | **₱29,416,227** | **₱499,566,989** |

| | 2018 | | | |
|---|---|---|---|---|
| | Land | Office space | Land and office space | Total |
| **Cost** | | | | |
| At January 1, as previously reported | ₱– | ₱– | ₱– | ₱– |
| Effect of adoption of PFRS 16 (Note 2) | 496,795,403 | 34,108,282 | – | 530,903,685 |
| At January 1, as restated | 496,795,403 | 34,108,282 | – | 530,903,685 |
| Additions | – | 26,323,574 | 34,519,510 | 60,843,084 |
| At December 31 | 496,795,403 | 60,431,856 | 34,519,510 | 591,746,769 |
| **Accumulated Depreciation and Amortization** | | | | |
| At January 1, as previously reported | – | – | – | – |
| Effect of adoption of PFRS 16 | (17,237,400) | (6,478,474) | – | (23,715,874) |
| At January 1, as restated | (17,237,400) | (6,478,474) | – | (23,715,874) |
| Depreciation | (21,878,680) | (8,499,687) | (3,700,954) | (34,079,321) |
| At December 31 | (39,116,080) | (14,978,161) | (3,700,954) | (57,795,195) |
| **Net Book Value** | ₱457,679,323 | ₱45,453,695 | ₱30,818,556 | ₱533,951,574 |

The following are the amounts recognized in the consolidated statements of income:

| | **2019** | 2018 | 2017 |
|---|---|---|---|
| Depreciation expense of right-of-use assets (Notes 19 and 20) | **₱36,897,906** | ₱34,079,321 | ₱31,666,408 |
| Interest expense on lease liabilities (Note 22) | **27,425,044** | 24,902,553 | 23,765,390 |
| Expenses relating to short-term leases (Notes 19 and 20) | **139,172,129** | 91,315,317 | 45,435,742 |
| Total amount | **₱203,495,079** | ₱150,297,191 | ₱100,867,540 |

The rollforward analysis of lease liabilities follows:

| | **2019** | 2018 |
|---|---|---|
| At January 1, as previously reported | **₱1,743,543,333** | ₱– |
| Effect of adoption of PFRS 16 (Note 2) | – | 1,700,009,467 |
| At January 1, as restated | **1,743,543,333** | 1,700,009,467 |
| Additions | **30,949,574** | 67,635,419 |
| Interest expense (Note 22) | **27,425,044** | 24,902,553 |
| Payments | **(78,493,817)** | (49,004,106) |
| As at December 31 | **1,723,424,134** | 1,743,543,333 |
| Current portion | **24,688,033** | 22,479,958 |
| Noncurrent portion | **₱1,698,736,101** | ₱1,721,063,375 |

## 29. Significant Agreements and Commitments

*Concession Agreements*
The Group has concession agreements with MIAA, MCIAA. CAAP and GMR-Megaworld Cebu Airport Corporation (the airport authorities) to exclusively operate within the airport authorities' premises at NAIA Terminal 1, 2 and 3, MCIAA, KIA and/or MDA. The concession agreements have a period of one year, subject to renewal. The Group pays the airport authorities a monthly concession privilege fee equivalent to 7% of monthly gross income on catering services and groundhandling services (10% effective July 1, 2018 at MCIAA), respectively.

Concession privilege fee amounted to ₱360.8 million, ₱198.6 million and ₱165.4 million in 2019, 2018 and 2017, respectively, which is presented under "Direct Costs" (see Note 19).

*Service Fee Agreement*
The Group has a service fee agreement with SATS, the 33% owner of MACS. Service fee amounted to ₱41.9 million, ₱38.3 million and ₱34.7 million in 2019, 2018 and 2017, respectively (see Note 20). Outstanding payable to SATS amounted to ₱42.2 million and ₱51.9 million as of December 31, 2019 and 2018, respectively (see Note 17).

*Waterworks System Agreements*
The Group has Memorandum of Agreements (Agreements) with various government municipalities to design, construct, commission and maintain a new and complete waterworks system, particularly in Mabini Pangasinan, Solano, Nueva Vizcaya and Naic, Cavite. The Agreements commenced in 2013, 2015 and 2017, and are for a period of 25 years to 40 years, as applicable, subject to renewal based on the provisions of the Agreements.

*Certificate of Public Convenience (CPC)*
BTSI is a holder of CPC, which allows BTSI to install, operate and maintain waterworks systems in certain barangays in Malay, Aklan. The CPC was granted by National Water Resources Board (NWRB) in 2014 and is valid until July 2017. In 2017, BTSI's CPC was renewed with validity until July 18, 2022.

*Exploratory Service Agreements*
MMC has various service agreements with third parties, wherein MMC will undertake exploratory drilling and sampling of nickel laterite services on the third parties, mining tenements.

Revenue recognized amounted to ₱15.4 million and ₱27.3 million in 2019 and 2017, respectively.

## 30. Deferred Mine Exploration Costs and Mining-Related Activities

As of December 31, 2019 and 2018, deferred mine exploration costs follow:

| | |
|---|---|
| Cost | ₱237,489,872 |
| Accumulated impairment loss | 217,070,924 |
| | ₱20,418,948 |

*Infanta Nickel Project*
Deferred mine exploration costs pertain to costs incurred by the Company in the exploration of its mining property located in Brooke's Point, Palawan, the Infanta Nickel Project (the Project).

The Project is the Company's tenement under MPSAs with the government, MPSA 220IV-B and MPSA 221 IV-B. The MPSAs are a consolidation of the Company's eight mining lease contracts with the Government that were granted under Commonwealth Act No. 137 and P.D. 463. In the 1970's, the Company operated the mine as an export producer of beneficiated nickel laterite. As such, it had sales and purchase agreements with Sumitomo Metal Mining Co., Ltd. of Japan, and thus, had made shipments of nickel ore to Japan in the 1970's until very low nickel prices forced the operations to be suspended. The previous quarry and road network within the tenement still exists and is currently being maintained for future use.

The MPSAs run for a term not exceeding 25 years from the dates of the grant, and are renewable for another term not exceeding 25 years under the same terms and conditions, without prejudice to changes that will be mutually agreed upon by the DENR and the Company. As provided under the MPSAs, the Company is allowed to conduct exploration activities within a certain period ("exploration period"), renewable for like periods but not to exceed a total term of eight years.

In 2008, the Supreme Court ruled with finality that the Company has vested legal rights to its MPSAs; and with the grant of the environmental compliance certificate (ECC) in 2010 for operations by the DENR, the Company secured two major permits necessary to bring back the mine to operations. Further, in 2010, the exploration efforts of the Company resulted in the delineation of 10.8 million dry metric ton of measured mineral resource with average grade of 1.30% nickel (Ni) and 31.28% iron (Fe) at 1% Ni cut-off. The reserves calculation was validated by the Mines and Geosciences Bureau (MGB) to be acceptable. MGB's independent calculation revealed a measured mineral resource of 12.8 million dry metric ton with average grade of 1.29% Ni and 32.20% Fe at 1.0% Ni cut-off.

The recovery of deferred mine exploration costs depends upon the success of exploration activities and future development of the mining properties, as well as the discovery of recoverable reserves in quantities that can be commercially produced. Currently, the Company is working on the acquisition of the Certificate of Pre-condition (CP) from the National Commission on Indigenous People and approval of its Declaration of Mining Feasibility from the MGB. Simultaneously, it has ongoing discussions with potential partners for the development of the project for the best interest of the various stakeholders. As of December 31, 2018, the Company was able to obtain the approval of MGB for the third renewal of the exploration period of MPSA 220 IV-B and second renewal of the exploration period of MPSA 221 IV-B. However, recent pronouncements of the DENR indicate no strong support

for nickel mine operations in the short-term, applicable to Infanta Nickel and other tenements in the country. While the Company finds its MPSAs valid and subsisting as affirmed by the MGB through the DENR, the prevailing mining prospects do not support nickel mining. Accordingly, management believes that the full provision of ₱212.9 million recognized in 2016 is still appropriate as of December 31, 2019.

On January 30, 2015, the Company executed a Deed of Assignment of the MPSAs to MMC. However, the assignment has not taken effect yet. As of December 31, 2019, the Company has submitted the necessary requirements for the renewal of Exploration Period of the two MPSAs; and has obtained approval by the MGB.

Administrative expenses related to the mining exploration activities are expensed as incurred and presented under "Mining expenses" under "Operating expenses" account. These amounted to ₱13.4 million, ₱6.5 million and ₱2.8 million in 2019, 2018 and 2017, respectively (see Note 20).

*Deeds of Assignment with Bulawan Mining Corporation (BUMICO)*
In 2012, the Company entered into two deeds of assignment with BUMICO. The first deed of assignment covered BUMICO's rights, title to, interests and obligations under the former's application for exploration permit with the MGB of the DENR over certain properties in Basay, Negros Oriental under Exploration Permit Application No. 000103 VII. In consideration, the Company paid BUMICO ₱16.0 million, which is recorded as "Deferred mine exploration costs" under "Other noncurrent assets" account in the consolidated balance sheets. The said assignment was approved by the Regional Director of the MGB on January 28, 2013.

The second deed of assignment covered BUMICO's rights, interests and obligations under an Operating Agreement with Philex Mining Corporation (PHILEX). The Operating Agreement granted PHILEX the exclusive right and privilege to take over, as an independent contractor, the working and operation of Mineral Claims as defined in the Operating Agreement for a period of 25 years. In consideration, the Company offered its technical services for BUMICO to tie up with PHILEX. The said deed of assignment was consented by PHILEX. Currently, PHILEX has no operations over the Mineral Claims. Once PHILEX resumes the operations of and generates income from the Mineral Claims, the Company shall be entitled to royalty payments and that BUMICO shall be entitled to a certain percentage of such royalties.

## 31. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders repurchase or issue new shares. The Group is not subject to externally imposed capital requirements as of December 31, 2019 and 2018. Further, no changes were made in the objectives, policies or processes for each of the three years in the period ended December 31, 2019.

The Group monitors capital vis-à-vis after tax profit. The Group also monitors the return on equity ratio. Equity considered by the Group is total equity in the consolidated balance sheets, excluding items arising from other comprehensive income. The return on equity ratio is computed by dividing the after tax profit by total capital.

The following summarizes the total capital considered by the Group and the computation of the return on equity:

| | **2019** | 2018 (As restated, Notes 2 and 10) |
|---|---|---|
| Capital stock | **₱1,618,146,293** | ₱1,618,146,293 |
| Additional paid-in-capital | **281,437,118** | 281,437,118 |
| Retained earnings | **4,081,275,526** | 3,270,479,831 |
| Treasury shares | **(426,826,835)** | (176,215,402) |
| | **₱5,554,032,102** | ₱4,993,847,840 |
| Net income | **₱1,194,026,073** | ₱1,086,100,234 |
| Return on equity | **21.50%** | 21.75% |

## 32. Financial Risk Management Objectives and Policies

### Risk Management Structure

Audit Committee
The Committee performs oversight role on financial management functions especially in the areas of managing credit, market, liquidity, operational, legal and other risks of the Group.

Risk Management Committee
The Committee assists the BOD in identifying and assessing the various risks to which the Group is exposed to. The Committee also ensures that the Group's management has implemented a process to identify, manage and report on the risks that might prevent the Group from achieving its strategic objectives.

BOD
The BOD is responsible for the overall risk management approach and for approval of risk strategies and principles of the Group.

### Financial Risk Management

The Group's principal financial instruments comprise cash and cash equivalents and some external liabilities which were availed of primarily to fund operations. The Group has other financial assets and financial liabilities such as trade receivables and payables which arise directly from operations.

The main risks, arising from the Group's financial instruments are foreign currency risk, credit risk, interest rate risk and liquidity risk. The BOD reviews and approves policies for managing these risks and they are summarized as follows:

*Foreign currency risk*
The Group's transactional currency exposure arises from sales in currencies other than its functional currency and retaining its cash substantially in currency other than its functional currency. Approximately an average of 43% of Group's revenue are denominated in US$. In addition, the Group closely monitors the foreign exchange rates fluctuations and regularly assesses the impact of future foreign exchange movements on its operations. Foreign currency monetary assets and liabilities are disclosed in Note 23.

The table on the next page demonstrates the impact on the Group's income before income tax and equity of reasonably possible changes in the US$, with all other variables held constant.

| | Movement in US$ | Increase (decrease) in income before income tax |
|---|---|---|
| | | *(In millions)* |
| **2019** | **Increase of 5.0%** | **₱87.3** |
| | **Decrease of 5.0%** | **(87.3)** |
| 2018 | Increase of 4.9% | 16.3 |
| | Decrease of 4.9% | (16.3) |
| 2017 | Increase of 0.4% | 2.8 |
| | Decrease of 0.4% | (2.8) |

The Group reported net foreign exchange gain (loss) of (₱17.5 million) in 2019, ₱27.4 million in 2018, and ₱3.9 million in 2017 (see Notes 22 and 23).

*Credit and concentration risk*
Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations under a financial instrument or customer contract, leading to a financial loss. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

The Group trades only with related parties and duly evaluated and approved creditworthy third parties. It is the Group's policy that all customers and counterparties that wish to trade with the Group, particularly on credit terms, are subjected to credit verification procedures. In addition, receivable balances are monitored on a continuous basis. The Group has major concentration of credit risk given that the majority of the Group's cash and cash equivalents are deposited in the local affiliated bank and major customers of MASCORP and MSISC include PAL and APC. As of December 31, 2019 and 2018, the related party which comprise the significant portion of the Group's total receivable has a negative working capital and has been incurring losses resulting to a deficit. Management assessed and believes that the carrying amount of the trade receivable from related parties are collectible and that the Group is not exposed to any significant risk since these companies are related parties. Further, the local affiliated bank is one of the country's reputable banks.

With respect to credit risk arising from financial assets, the Group's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying values of these instruments. The Group only deals with financial institutions that have been approved by the BOD of the Company and those of its subsidiaries. The Group does not require any collateral and other credit enhancements. Consequently, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECL). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance).

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:
a. *Probability of default (PD)* is an estimate of the likelihood of default over a given time horizon.
b. *Exposure at default (EAD)* is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date.
c. *Loss given default (LGD)* is an estimate of the loss arising in the case where a default occurs at a given time.

For cash in bank, the Group applies the low credit risk simplification where the Group measures the ECLs on a 12-month basis based on the probability of default and loss given default which are publicly available. The Group also evaluates the credit rating of the bank and other financial institutions to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

For trade and other receivables, an impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- Gross Domestic Product (GDP) growth rates
- Unemployment rates
- Inflation rates
- Interest rates
- Foreign currency exchange rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Based on the Group's credit risk experience, expected credit loss rate increases as the age of the receivables increase.

The aging per class of financial assets and contract assets, and the expected credit loss follows:

December 31, 2019

| | | Past Due | | | | | |
|---|---|---|---|---|---|---|---|
| | Current | Less than 30 Days | 31 to 60 Days | 61 to 90 Days | Over 90 Days | ECL | Total, net of ECL |
| | | | | *(In Thousands)* | | | |
| **Financial assets** | | | | | | | |
| Cash in banks* | **₱1,209,362,783** | **₱–** | **₱–** | **₱–** | **₱–** | **₱–** | **₱1,209,362,783** |
| Trade receivables | **1,001,692,174** | **212,720,681** | **44,338,310** | **162,468,906** | **408,549,759** | **(15,527,033)** | **1,814,242,797** |
| Due from officers and employees | **20,943,058** | – | – | – | – | – | **20,943,058** |
| Other receivables | **80,983,439** | – | – | – | – | – | **80,983,439** |
| Interest receivable | **2,279,004** | – | – | – | – | – | **2,279,004** |
| Deposits | **42,714,608** | – | – | – | – | – | **42,714,608** |
| Restricted cash investment | **7,181,182** | – | – | – | – | – | **7,181,182** |
| **Contract assets** | **20,815,397** | – | – | – | – | – | **20,815,397** |
| **Installment receivables** | **60,515,346** | – | – | – | – | – | **60,515,346** |
| **Finance lease receivable** | **14,153,823** | – | – | – | – | – | **14,153,823** |
| **Total** | **₱2,460,640,814** | **₱212,720,681** | **₱44,338,310** | **₱162,468,906** | **₱408,549,759** | **(₱15,527,033)** | **₱3,273,191,437** |

**Exclusive of cash on hand amounting to ₱10,276,645*

December 31, 2018

| | | Past Due | | | | | |
|---|---|---|---|---|---|---|---|
| | Current | Less than 30 Days | 31 to 60 Days | 61 to 90 Days | Over 90 Days | ECL | Total, net of ECL |
| | | | | *(In Thousands)* | | | |
| **Financial assets** | | | | | | | |
| Cash in banks | ₱672,909,592 | **₱–** | **₱–** | **₱–** | **₱–** | **₱–** | ₱672,909,592 |
| Trade receivables | 437,735,828 | 92,958,211 | 19,375,690 | 70,998,357 | 193,453,497 | (14,918,648) | 799,602,935 |
| Dividends receivable | 42,000,000 | – | – | – | – | – | 42,000,000 |
| Due from officers and employees | 15,510,511 | – | – | – | – | – | 15,510,511 |
| Other Receivables | 38,161,559 | | | | | | 38,161,559 |
| Interest Receivable | 2,271,732 | – | – | – | – | – | 2,271,732 |
| Deposits | 41,367,513 | – | – | – | – | – | 41,367,513 |
| Restricted cash investment | 7,181,182 | – | – | – | – | – | 7,181,182 |
| **Contract assets** | 28,289,382 | – | – | – | – | – | 28,289,382 |
| **Installment receivables** | 90,067,431 | – | – | – | – | – | 90,067,431 |
| **Finance lease receivable** | 15,202,014 | – | – | – | – | – | 15,202,014 |
| **Total** | **₱1,390,696,744** | **₱92,958,211** | **₱19,375,690** | **₱70,998,357** | **₱193,453,497** | **(₱14,918,648)** | **₱1,752,563,851** |

**Exclusive of cash on hand amounting to ₱2,287,241.*

*Impairment assessment*
The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Group assesses impairment on an individual account basis for all stage 3 assets, regardless of the class of financial assets. Stage 1 and stage 2 assets are assessed on a collective basis.

Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention even at interim.

*Credit quality per class of financial assets*
The credit quality of financial assets is managed by the Group using internal credit ratings. The Group considers its cash and cash equivalents (including restricted cash investment) as high grade since these are placed in financial institutions of high credit standing. Accordingly, ECLs relating to cash and cash equivalents rounds to zero. The Goup considers its dividend receivables as high grade as these are due from an associate who has strong capacity to pay; thus LGD is considered low and no ECL is recognized. The Group considers its advances to officers and employees as standard grade as collectability is assured through salary deduction. Accordingly, the LGD is considered low; thus, no ECLs are recognized on the advances to employees.

*Interest rate risk*
The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's notes payable with floating interest rates. The Group has a practice of keeping its interest-bearing liabilities to third parties within a threshold that can be serviced through operating cash flows.

Management closely monitors the behaviour of interest rates to ensure that cash flow interest rate risk is kept within management's tolerable level. Finally, interest-bearing liabilities are ordinarily incurred on a short-term basis only.

The table below sets forth the estimated change in the Group's income before income tax (through the impact on the variable rate borrowings) due to parallel changes in the interest rate curve in terms of basis points (bp) as of December 31, 2019 and 2018, with all other variables held constant. There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

| | Increase (decrease) in income before income tax | |
|---|---|---|
| | **2019** | 2018 |
| | *(In millions)* | |
| 100 bp rise | **(₱14.51)** | (₱6.65) |
| 100 bp fall | **14.51** | 6.65 |
| 50 bp rise | **(7.26)** | (3.32) |
| 50 bp fall | **7.26** | 3.32 |

*Liquidity risk*
Liquidity risk is the risk that the Group will not be able to meet its obligations when they fall due under normal and stress circumstances. To limit this risk, management manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows which could be used to secure additional funding if required.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of operating cash flows and short-term bank loans.

In addition, the Group has an omnibus line of credit for ₱100.0 million (or USD equivalent) and bills purchase line for ₱10.0 million. The omnibus line of credit is available by way of short-term promissory notes with interest, while the bills purchase line is available for settlement of the Company's obligation through the bank.

The tables below summarize the maturity profile of the Group's financial liabilities based on contractual and undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. The table also analyses the maturity profile of the Group's financial assets held for managing liquidity in order to provide complete view of the Group's contractual commitments and liquidity.

December 31, 2019:

| | **<1 year** | **>1-2 years** | **>2-3 years** | **>5 years** | **Total** |
|---|---|---|---|---|---|
| **Loans and receivables:** | | | | | |
| Cash and cash equivalents | **₱1,219,639,428** | **₱–** | **₱–** | **₱–** | **₱1,219,639,428** |
| Receivables: | | | | | |
| Trade | **1,814,242,797** | **–** | **–** | **–** | **1,814,242,797** |
| Interest receivable | **2,279,004** | **–** | **–** | **–** | **2,279,004** |
| Installment receivable* | **–** | **16,137,425** | **24,206,139** | **20,171,782** | **60,515,346** |
| Finance lease receivable** | **399,917** | **1,506,004** | **2,473,791** | **16,914,113** | **21,293,825** |
| Deposits*** | **–** | **–** | **–** | **42,714,608** | **42,714,608** |
| | **3,036,561,146** | **17,643,429** | **26,679,930** | **79,800,503** | **3,160,685,008** |
| **Other financial liabilities:** | | | | | |
| Accounts payable and accrued liabilities**** | **1,593,157,424** | **–** | **–** | **–** | **1,593,157,424** |
| Notes payable***** | **575,000,000** | **–** | **–** | **–** | **575,000,000** |
| Long-term debts | **482,536,067** | **159,114,417** | **175,781,084** | **449,503,997** | **1,266,935,565** |
| Lease liabilities | **24,688,033** | **21,423,049** | **25,821,841** | **1,651,491,211** | **1,723,424,134** |
| Dividends payable | **35,928,020** | **–** | **–** | **–** | **35,928,020** |
| Deposit****** | **–** | **–** | **–** | **16,086,997** | **16,086,997** |
| | **2,711,309,544** | **180,537,466** | **201,602,925** | **2,117,082,205** | **5,210,532,140** |
| Liquidity position | **₱325,251,602** | **(₱162,894,037)** | **(₱174,922,995)** | **(₱2,037,281,702)** | **(₱2,049,847,132)** |

**Gross of unearned interest income of ₱912,267. The current portion amounting to ₱12,172,159 is presented under trade.*
*** Gross of unearned interest income of ₱6,109,655 exclusive of ₱541,128 included under trade.*
**** Gross of unearned interest income of ₱19,514,515. Presented as part of "Other noncurrent assets".*
*****Exclusive of nonfinancial liabilities of ₱157,756,496.*
****** Inclusive of interest to maturity of ₱102,830,011.*
******* Inclusive of accretion of interest of ₱9,933,244. Presented as part of "Other noncurrent assets".*

December 31, 2018:

| | **<1 year** | **>1-2 years** | **>2-3 years** | **>5 years** | **Total** |
|---|---|---|---|---|---|
| **Loans and receivables:** | | | | | |
| Cash and cash equivalents | ₱675,196,833 | ₱– | ₱– | ₱– | ₱675,196,833 |
| Receivables: | | | | | |
| Trade | 799,602,935 | – | – | – | 799,602,935 |
| Dividends receivable | 42,000,000 | – | – | – | 42,000,000 |
| Interest receivable | 2,271,732 | – | – | – | 2,271,732 |
| Installment receivable* | – | 16,480,236 | 24,720,355 | 20,600,296 | 61,800,887 |
| Finance lease receivable** | 352,779 | 1,328,491 | 2,182,205 | 14,920,447 | 18,783.922 |
| Deposits*** | – | – | – | 61,690,978 | 61,690,978 |
| | 1,519,424,279 | 17,808,727 | 26,902,560 | 97,211,721 | 1,642,582,149 |
| **Other financial liabilities:** | | | | | |
| Accounts payable and accrued liabilities**** | 810,044,510 | – | – | – | 810,044,510 |
| Notes payable***** | 348,450,000 | – | – | – | 348,450,000 |
| Long-term debts | 155,471,671 | 311,922,620 | 304,128,411 | 104,132,965 | 875,655,667 |
| Lease liabilities | 22,479,956 | 24,688,033 | 19,087,950 | 1,677,287,392 | 1,743,543,331 |
| Dividends payable | 8,859,024 | – | – | – | 8,859,024 |
| Deposit****** | – | – | – | 24,588,996 | 24,588,996 |
| | 1,345,305,161 | 336,610,653 | 323,216,361 | 1,806,009,353 | 3,811,141,528 |
| Liquidity position | ₱174,119,118 | (₱318,801,926) | (₱296,313,801) | (₱1,708,797,632) | (₱2,168,559,379) |

**Gross of unearned interest income of ₱12,402,113. The current portion amounting to ₱40,668,657 is presented under trade.*
*** Gross of unearned interest income of ₱4,106,803 exclusive of ₱524,895 included under trade.*
**** Gross of unearned interest income of ₱20,323,465. Presented as part of "Other noncurrent assets".*
*****Exclusive of nonfinancial liabilities of ₱71,296,495.*
****** Inclusive of interest to maturity of ₱122,129,746.*
******* Inclusive of accretion of interest of ₱15,175,762. Presented as part of "Other noncurrent assets".*

## 33. Fair Values

The table below provides the comparison of carrying amounts and fair values of the Group's assets and liabilities as at:

| | Carrying value | Fair value measurements using: Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|---|---|---|---|
| **December 31, 2019** | | | | |
| *Assets measured at fair value:* | | | | |
| Equity instruments designated at FVTOCI (Note 15) | **₱76,138,300** | **₱–** | **₱76,138,300** | **₱–** |
| *Assets for which fair value is disclosed:* | | | | |
| Installment receivables (Note 15) | **60,515,346** | **–** | **–** | **60,515,346** |
| Finance lease receivable (Note 15) | **14,153,823** | **–** | **–** | **14,153,823** |
| Investment property (Note 13) | **143,852,303** | **–** | **–** | **261,096,000** |
| Deposits (Note 15) | **42,714,608** | **–** | **–** | **42,714,608** |
| *Liabilities for which fair value is disclosed* | | | | |
| Deposits (Note 18) | **16,086,997** | **–** | **–** | **16,086,997** |
| Long term debts (Note 16) | **1,266,935,565** | **–** | **1,266,935,565** | **–** |
| **December 31, 2018** | | | | |
| *Assets measured at fair value:* | | | | |
| Available for sale financial investments (Note 15) | 65,155,800 | – | 65,155,800 | – |
| *Assets for which fair value is disclosed:* | | | | |
| Installment receivables (Note 15) | 90,067,431 | – | – | 90,067,431 |
| Finance lease receivable (Note 15) | 15,202,014 | | – | 15,202,014 |
| Investment property (Note 13) | 143,852,303 | – | – | 261,096,000 |
| Deposits (Note 15) | 41,367,513 | – | – | 41,367,513 |
| *Liabilities for which fair value is disclosed* | | | | |
| Deposits (Note 18) | 17,881,940 | – | – | 17,881,940 |
| Long term debts (Note 16) | 753,525,921 | – | 753,525,921 | – |

The Group determined that its investments in government bonds and golf club shares are categorized at Level 2 in the fair value hierarchy. The Group assessed that, while there is a market for these securities, transactions are infrequent.

There have been no transfers between Levels 1 and 2 in 2019 and 2018.

*Cash and cash equivalents, receivables, accounts payables and accrued liabilities, and notes payable*
The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities dividends payable and notes payable approximate their fair values due to their short-term nature.

*Installment receivables and deposits*
The carrying values of installment receivables and deposits are determined based on the present value of expected cash flows discounted at the Group's borrowing rate.

*Dividends payable*
The carrying value of dividends payable approximates its fair value since they are expected to be settled within a short period of time after its declaration.

*Long-term debts*
The carrying value of long-term debts approximate its fair value due to the re-pricing feature of the interest it carries.

*Equity instruments designated at FVTOCI*
The Group's investments in golf club share and other proprietary shares are carried at fair value based on published club share quotes that are publicly available from the local dailies and from the website of club share brokers.

*Investment property*
The Philippine SEC-accredited and independent appraiser used the "Market Data Approach" in valuing the property. The Group has determined that the highest and best use of the property is its current use (i.e., industrial purpose).

## 34. Changes in Liabilities Arising from Financing Activities

The table below presents the changes in Group's liabilities arising from financing activities.

2019

| | Beginning | Availments | Payments | Noncash activities* | Additions through business combination (Note 10) | Dividend declaration (Note 27) | Ending |
|---|---|---|---|---|---|---|---|
| Note payable (Note 16) | **₱348,450,000** | **₱625,000,000** | **(₱398,450,000)** | **₱–** | **₱–** | **₱–** | **₱575,000,000** |
| Long-term debt (Note 16) | **753,525,921** | **648,575,000** | **(135,165,356)** | – | – | – | **1,266,935,565** |
| Lease liabilities (Note 28) | **1,743,543,333** | – | **(51,068,773)** | **30,949,574** | – | – | **1,723,424,134** |
| Dividend payable (Note 27) | **8,859,024** | – | **(305,226,323)** | – | – | **305,895,319** | **9,528,020** |
| Dividends payable to non-controlling interest (Note 27) | **12,375,000** | – | **(12,375,000)** | – | – | **26,400,000** | **26,400,000** |
| Total liabilities from financing activities | **₱2,866,753,278** | **₱1,273,575,000** | **(₱902,285,452)** | **₱30,949,574** | **₱–** | **₱332,295,319** | **₱3,601,287,719** |

**Noncash activities pertain to discounting of lease payments*

2018

| | Beginning | Availments | Payments | Noncash activities* | Additions through business combination (Note 10) | Dividend declaration (Note 27) | Ending |
|---|---|---|---|---|---|---|---|
| Note payable (Note 16) | ₱207,700,866 | ₱403,865,000 | (₱262,700,886) | (₱414,980) | ₱– | ₱– | ₱348,450,000 |
| Long-term debt (Note 16) | 512,609,945 | 250,000,000 | (38,067,035) | 4,423,233 | 24,559,778 | – | 753,525,921 |
| Lease liabilities (Note 28) | 1,700,009,467 | – | (24,101,553) | 67,635,419 | – | – | 1,743,543,333 |
| Dividend payable (Note 27) | 180,660,640 | – | (171,801,616) | – | – | – | 8,859,024 |
| Dividends payable to non-controlling interest (Note 27) | – | – | (12,375,000) | – | – | 24,750,000 | 12,375,000 |
| Total liabilities from financing activities | ₱2,600,980,918 | ₱653,865,000 | (₱509,046,090) | ₱71,643,672 | ₱24,559,778 | ₱24,750,000 | ₱2,866,753,278 |

**Noncash activities pertain to discounting of lease payments and foreign currency translation*

## 35. Subsequent Events

*Impact of Coronavirus Outbreak*
Subsequent to December 31, 2019, the Philippine Government implemented travel ban to/from high-risk countries severely affected by the outbreak of Coronavirus Disease 2019 ("COVID-19") which affected the Group's catering and groundhandling services to airlines with flights to/from these countries. As of March 6, 2020, the Group continuously complies with the regulations set forth by the local government in relation to the travel ban.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. Accordingly, no adjustments have been made to the consolidated financial statements as of and for the year ended December 31, 2019 for the impact of COVID-19. However, it could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its consolidated financial position, performance and cash flows. The Group will continue to monitor the situation.

*Cash Dividend Declaration*
On March 6, 2020, the Company's BOD approved the declaration of cash dividends in the amount of ₱0.25 per share with an aggregate amount of ₱393.9 million from the unrestricted retained earnings as of December 31, 2019.

*Dividend Declaration of LTP*
On February 4, 2020, the BOD of LTP has approved the declaration of cash dividends amounting to ₱1,930.4 million ($38.0 million) out of LTP's unrestricted retained earnings. The Parent Company's share in this dividend declaration amounts to ₱945.9 million ($18.6 million).

**Exhibit 2. Index to Supplementary Schedules**


| | |
|---|---|
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| Reconciliation of Retained Earnings Available for Dividend Declaration | 181 |
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SGV
Building a better working world

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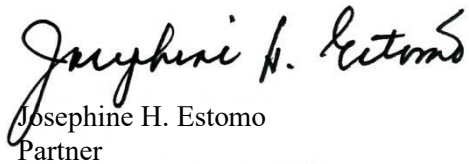
BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

**INDEPENDENT AUDITOR'S REPORT**
**ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
MacroAsia Corporation
12th Floor, PNB Allied Bank Center
6754 Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of MacroAsia Corporation and Subsidiaries as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, included in this Form 17-A and have issued our report thereon dated March 6, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Josephine H. Estomo
Partner
CPA Certificate No. 46349
SEC Accreditation No. 0078-AR-5 (Group A),
June 11, 2019, valid until June 10, 2022
Tax Identification No. 102-086-208
BIR Accreditation No. 08-001998-18-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125236, January 7, 2020, Makati City

March 6, 2020

# MACROASIA CORPORATION

## INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Schedule I : Supplementary Schedules included in SEC Form 17-A

A. Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4C, Annex 68-C)
B. A map showing the relationships between and among the company and its ultimate parent company, middle parent, subsidiaries or co-subsidiaries, and associates, wherever located or registered
C. Supplementary schedules (Revised SRC Rule 68 - Annex 68-J)
   i. Schedule A. Financial assets
   ii. Schedule B. Amounts receivable from directors, officers, employees, related parties, and principal stockholders (other than related parties)
   iii. Schedule C. Amounts receivable from related parties which are eliminated during the consolidation of financial statements
   iv. Schedule D. Long-term debt
   v. Schedule E. Indebtedness to related parties
   vi. Schedule F. Guarantees of securities of other issuers
   vii. Schedule G. Capital stock

**SCHEDULE I.A**

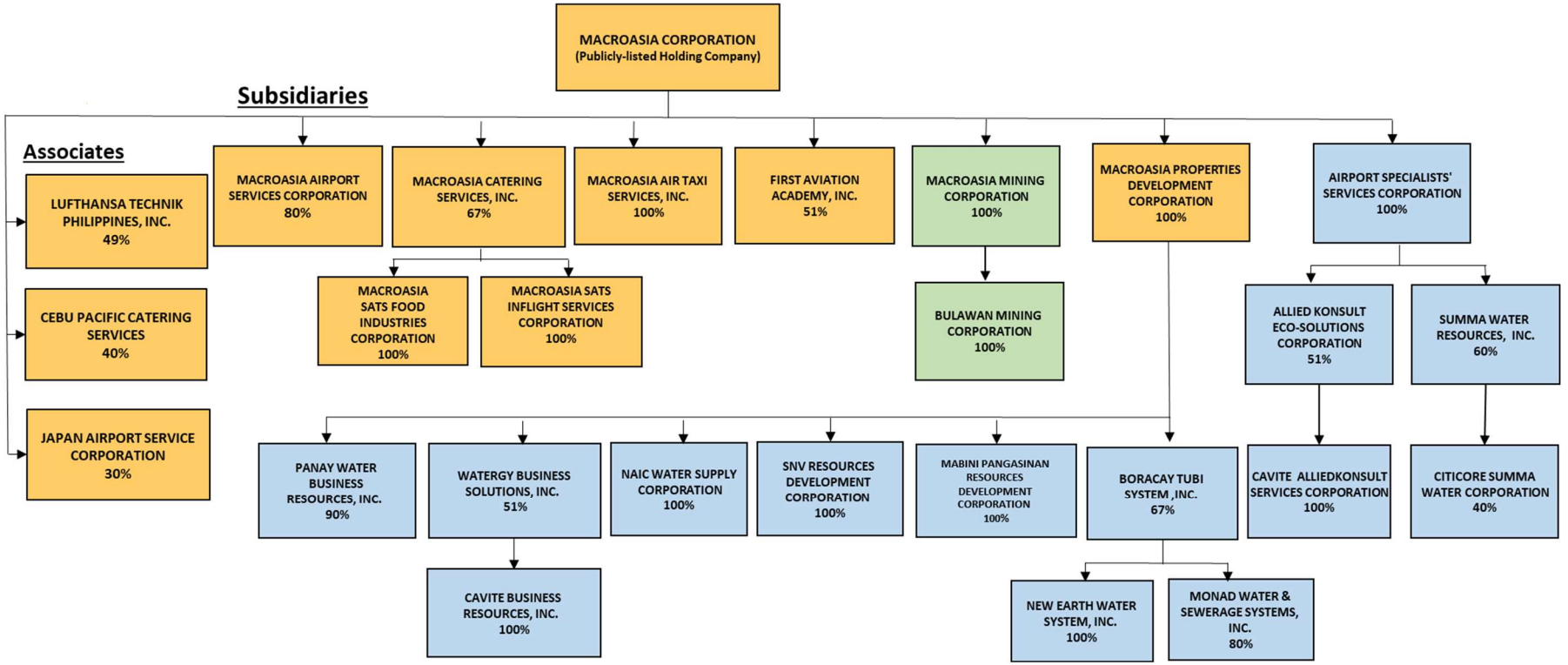
# MACROASIA CORPORATION

## SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

**DECEMBER 31, 2019**

| | |
|---|---|
| Unappropriated retained earnings, beginning as previously reported | ₱1,555,560,784 |
| Less: Effect of adoption of PFRS 16 | 2,224,973 |
| Unappropriated retained earnings, beginning as restated | 1,553,335,811 |
| Less: Treasury shares | 176,215,402 |
| Unappropriated retained earnings, as adjusted to available for dividend declaration, beginning | 1,377,120,409 |
| Add: Net income actually earned/closed to retained earnings during the year | 1,759,074,466 |
| Reversal of appropriation | 300,000,000 |
| Less: Appropriation | 850,000,000 |
| Dividend declared during the year | 318,270,319 |
| Acquisition of treasury shares | 250,611,433 |
| Retained earnings available for dividend declaration, end | ₱2,017,313,123 |

# GROUP STRUCTURE



**MacroAsia Corporation and Subsidiaries**
**Schedule A - Financial Assets**
**As of December 31, 2019**

| Financial Assets | Name of Issuing entity and association of each issue | Amount shown in the balance sheet | Income received and accrued |
|---|---|---|---|
| Loan and Receivables | | | |
| Cash in bank and cash equivalents | | 1,219,639,428 | |
| Receivables | | 1,925,742,769 | |
| Deposits | | 42,714,608 | |
| | | | |
| Equity investments designated at FVTOCI/AFS investments: | | | |
| Investment in stock | PLDT | 38,300 | - |
| Investment in stock | Tower Club | 100,000 | - |
| Investment in stock | Manila Golf and Country Club | 76,000,000.00 | - |
| **Total** | | 3,264,235,105 | - |

**MacroAsia Corporation and Subsidiaries**
**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders**
**As of December 31, 2019**

| | Balance at beginning of period | Additions | Amounts collected | Amounts written off | Adjustment | Current | Not current | Balance at end of period |
|---|---|---|---|---|---|---|---|---|
| Advances to officers & employees | | | | | | | | |
| of MAC | 3,324,668 | 12,787,186 | (12,040,235) | - | (1,855,969) | 2,215,649 | - | 2,215,649 |
| of MACS | 2,955,615 | 5,372,050 | (5,494,862) | - | - | 2,832,803 | - | 2,832,803 |
| of MASCORP | 2,238,261 | 30,085,144 | (29,446,651) | - | (24,000) | 2,852,754 | - | 2,852,754 |
| of MAPDC | 16,702,555 | 10,392,860 | (8,543,619) | - | (14,230,083) | 4,321,713 | - | 4,321,713 |
| of SNVRDC | 24,500 | 1,241,550 | (1,251,050) | - | - | 15,000 | - | 15,000 |
| of PWBRI | - | 5,000 | - | - | - | 5,000 | - | 5,000 |
| of CBRI | 220,392 | 289,999 | (475,441) | - | - | 29,951 | 5,000 | 34,951 |
| of MAATS | 276,304 | 531,454 | (605,932) | - | - | 201,826 | - | 201,826 |
| of MMC | 1,904,541 | 3,571,297 | (3,412,902) | - | - | 2,062,936 | - | 2,062,936 |
| of MPRDC | - | 15,000 | (15,000) | - | - | - | - | - |
| of NAWASCOR | 375,941 | 745,175 | (108,265) | - | (955,650) | 57,201 | - | 57,201 |
| of SUMMA | 226,529 | 1,612,115 | (1,318,886) | - | - | 519,759 | - | 519,759 |
| of BTSI | 754,525 | 12,162,834 | (12,414,249) | - | - | 503,110 | - | 503,110 |
| of MONAD | 3,103,258 | - | - | - | - | 3,103,258 | - | 3,103,258 |
| of FAA | 64,510 | 1,381,268 | (750,312) | - | - | 695,467 | - | 695,467 |
| of MSFI | - | 1,846,540 | (1,781,540) | - | - | 65,000 | - | 65,000 |
| of MSIS | - | 2,318,239 | (1,335,809) | - | - | 982,430 | - | 982,430 |
| Receivables from Related Parties and Principal Stockholders | | | | | | | | |
| of MACS from LTP | 3,258,261 | 9,836,216 | (6,453,210) | - | - | 4,553,692 | 2,087,575 | 6,641,267 |
| of MACS from PAL | 412,944 | | (77,945) | - | - | | 334,999 | 334,999 |
| of MACS from PAL - Mabuhay Lounge | 25,619,939 | 151,918,892 | (138,267,186) | - | - | 39,271,645 | | 39,271,645 |
| of MACS from PAL - PALEX | 1,697,308 | 4,914,397 | (5,092,546) | - | - | 1,147,002 | 372,157 | 1,519,159 |
| of MASCORP from PAL | 129,355,600 | 1,801,936,317 | (1,307,615,590) | - | 8,644,367 | 632,320,694 | - | 632,320,694 |
| of MASCORP from PALEX (former Airphil) | 190,714,618 | 530,483,228 | (549,017,879) | - | 653,747 | 172,833,714 | - | 172,833,714 |
| of MASCORP from LTP | 3,954,507 | 19,172,789 | (20,048,256) | - | 1,315,465 | 4,394,505 | - | 4,394,505 |
| of MAPDC from LTP | 752,085 | 3,100,839 | | - | - | 3,852,924 | - | 3,852,924 |
| of MAATS from MAPDC | - | - | - | - | - | - | - | - |
| of WBSI from PNB | 95,609 | - | (95,609) | - | - | - | - | 0 |
| of MSIS from PAL | - | 1,025,329,924 | (702,816,550) | - | - | 322,513,374 | | 322,513,374 |
| Total | 388,032,470 | 3,631,050,314 | (2,808,479,522) | - | (6,452,123) | 1,201,351,407 | 2,799,731 | 1,204,151,138 |

**MacroAsia Corporation and Subsidiaries**
**Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements**
**As of December 31, 2019**

| Name and designation of debtor | Balance at beginning of period | Additions | Amount collected | Amounts written off | Current | Not Current | Balance at end of period | Amount Eliminated |
|---|---|---|---|---|---|---|---|---|
| MAC from | | | | | | | | |
| MAATS | 10,000,000 | - | (10,000,000) | - | - | - | - | - |
| MAPDC | 1,040,644,309 | 58,846,278 | - | (1,594,662) | 1,097,895,924 | - | 1,097,895,924 | 1,097,895,924 |
| MACS | 100,060,378 | 95,208,174 | (100,060,377) | - | 95,208,175 | - | 95,208,175 | 95,208,175 |
| MASCORP | 238,017,724 | 100,381,963 | - | - | 338,399,687 | - | 338,399,687 | 338,399,687 |
| MMC | 0 | 11,002,114 | - | - | 11,002,114 | - | 11,002,114 | 11,002,114 |
| ASSC | 370,976 | 85,030,325 | - | - | 85,401,301 | - | 85,401,301 | 85,401,301 |
| MACS from | | | | | | | | |
| MAC | 60,362 | 562,258 | (511,354) | - | 96,038 | 15,228 | 111,266 | 111,266 |
| MASCORP | 402,947 | 677,984 | (604,927) | - | 107,087 | 368,917 | 476,004 | 476,004 |
| MSFI | 128,822,158 | 120,084,837 | (121,227,238) | - | 119,981,930 | 7,697,827 | 127,679,757 | 127,679,757 |
| MSIS | 329,115 | 1,044,069 | - | - | 1,044,069 | 329,115 | 1,373,184 | 1,373,184 |
| MAPDC from | | | | | | | | |
| WBSI | 12,100,000 | 700,000 | - | - | 12,800,000 | - | 12,800,000 | 12,800,000 |
| MMC | - | - | - | - | - | - | - | - |
| SNVRDC | 323,118,133 | (39,930,762) | - | - | 283,187,371 | - | 283,187,371 | 283,187,371 |
| PWBRI | - | - | - | - | - | - | - | - |
| MPRDC | 1,306,000 | 400,000 | - | - | 1,706,000 | - | 1,706,000 | 1,706,000 |
| CBRI | 8,059,800 | 2,555,280 | - | - | 10,615,080 | - | 10,615,080 | 10,615,080 |
| BTSI | 46,900,000 | 750,000 | - | - | 47,650,000 | - | 47,650,000 | 47,650,000 |
| NAWASCOR | 61,051,213 | 12,723,386 | - | - | 73,774,599 | - | 73,774,599 | 73,774,599 |
| ASSC from | | | | | | | | |
| MMC | 3,000,000 | - | - | - | 3,000,000 | - | 3,000,000 | 3,000,000 |
| MAPDC | 2,500,000 | - | - | - | 2,500,000 | - | 2,500,000 | 2,500,000 |
| Alliedkonsult | - | 510,220 | - | - | 510,220 | - | 510,220 | 510,220 |
| Cavite Alliedkonsult | - | 219,062 | - | - | 219,062 | - | 219,062 | 219,062 |
| Summa Water Resources Inc | - | 30,402,418 | - | - | 30,402,418 | - | 30,402,418 | 30,402,418 |
| MAATS from | | | | | | | | |
| MASCORP | 1,235,970 | 3,677,357 | (803,001) | - | 4,110,325 | - | 4,110,325 | 4,110,325 |
| MAPDC | - | - | - | - | - | - | - | - |
| WBSI from | | | | | | | | |
| CBRI | 10,003,278 | - | - | - | 10,003,278 | - | 10,003,278 | 10,003,278 |
| MMC from | | | | | | | | |
| MAC | 2,721,162 | - | - | - | 2,721,162 | - | 2,721,162 | 2,721,162 |
| BUMICO | 100,000 | 25,193 | - | - | 125,193 | - | 125,193 | 125,193 |
| MAATS | 405,480 | - | (405,480) | - | - | - | - | - |
| Total | 1,991,209,004 | 484,870,156 | (233,612,377) | (1,594,662) | 2,232,461,034 | 8,411,087 | 2,240,872,121 | 2,240,872,121 |

**MacroAsia Corporation and Subsidiaries**
**Schedule D - Long Term Debt**
**As of December 31, 2019**

| Title of issue and type of obligation | Amount authorized by indenture | | Amount shown under caption "Current portion of long-term debt" in related balance sheet | | Amount shown under caption"Long-Term Debt" in related balance sheet* | | Balance at end of period | Interest Rate |
|---|---|---|---|---|---|---|---|---|
| | (In original currency) | (In PhP) | (In original currency) | (In PhP) | (In original currency) | (In PhP) | | |
| Local Bank | USD 960,000 | 49,334,400 | 560,000 | 28,355,600.00 | - | - | 28,355,600 | 4.34% |
| Local Bank | USD 960,000 | 49,334,400 | 560,000 | 28,355,600.00 | - | - | 28,355,600 | 4.34% |
| Local Bank | USD 3,500,000 | 183,575,000 | 3,033,333 | 153,592,834.68 | - | - | 153,592,835 | 5.11% |
| Local Bank | PHP 165,000,000 | 165,000,000 | 143,000,000 | 143,000,000 | - | - | 143,000,000 | 7.27% |
| Local Bank | PHP 400,000,000 | 400,000,000 | 66,666,667 | 66,666,667 | 300,000,000 | 300,000,000 | 366,666,667 | 4.00% |
| Local Bank | PHP 250,000,000 | 250,000,000 | - | - | 250,000,000 | 250,000,000 | 250,000,000 | 7.10% |
| Local Bank | PHP 100,000,000 | 100,000,000 | 16,666,667 | 16,666,667 | 83,333,333 | 83,333,333 | 100,000,000 | 6.50% |
| Local Bank | PHP 125,000,000 | 125,000,000 | 27,777,777.76 | 27,777,778 | 83,333,333 | 83,333,333 | 111,111,111 | 7.75% |
| Local Bank | PHP 25,000,000 | 25,000,000 | 5,555,556 | 5,555,556 | 16,666,667 | 16,666,667 | 22,222,222 | 8.40% |
| Local Bank | PHP 50,000,000 | 50,000,000 | 11,111,111 | 11,111,111 | 33,333,333 | 33,333,333 | 44,444,444 | 8.40% |
| Local Bank | PHP 27,000,000 | 27,000,000 | 1,454,255 | 1,454,255 | 21,604,778 | 21,604,778 | 23,059,033 | 9.00% |
| TOTAL | | 1,424,243,800 | | 482,536,067 | | 788,271,445 | 1,270,807,512 | |

**exclusive of the unamortized transaction costs of 3,871,947*

**MacroAsia Corporation and Subsidiaries**
**Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)**
**As of December 31, 2019**

| Name of related party | Balance at beginning of period | Balance at end of period |
|---|---|---|
| Philippine National Bank | 626,548,832 | 941,615,101 |
| PNB-IBJL Leasing & Finance Corporation | 39,540,160 | 28,355,600 |
| TOTAL | 666,088,992 | 969,970,701 |

**MacroAsia Corporation and Subsidiaries**
**Schedule F - Guarantees of Securities and Other Issuers**
**As of December 31, 2019**

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

Not Applicable

**MacroAsia Corporation and Subsidiaries**
**Schedule G - Capital Stock**
**As of December 31, 2019**

.

| Title of Issue | Number of Shares authorized | Number of shares issued as shown under related balance sheet caption | Number of treasury shares | Number of shares outstanding | Number of shares reserved for options, warrants, conversion and other rights | Number of shares held by related parties | Number of shares held by directors and officers |
|---|---|---|---|---|---|---|---|
| Common Stock | 2,000,000,000 | 1,618,146,293 | (39,640,300) | 1,578,505,993 | - | 1,153,122,785<br>73.05% | 20,251,627<br>1.28% |

SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

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

The Stockholders and the Board of Directors
MacroAsia Corporation
12th Floor, PNB Allied Bank Center
6754 Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of MacroAsia Corporation and Subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated March 6, 2020. 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 Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the 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 Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Josephine H. Estomo
Partner
CPA Certificate No. 46349
SEC Accreditation No. 0078-AR-5 (Group A),
June 11, 2019, valid until June 10, 2022
Tax Identification No. 102-086-208
BIR Accreditation No. 08-001998-18-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125236, January 7, 2020, Makati City

March 6, 2020

# MACROASIA CORPORATION

## SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019**

| Ratio | Formula | | 2019 | 2018 |
|---|---|---|---|---|
| **Current ratio** | Total current assets divided by total current liabilities | | | |
| | Total current assets | ₱3,599,852,677 | **1.2:1** | 1.4:1 |
| | Divided by: | | | |
| | Total current liabilities | 2,883,071,006 | | |
| | **Current ratio** | 1.2 | | |
| **Debt-to-equity ratio** | Total interest-bearing debts divided by total stockholders' equity | | | |
| | Total Interest-bearing Debts | ₱1,841,935,565 | **26.9%** | 19.7% |
| | Divided by: | | | |
| | Total stockholders' equity | 6,837,843,154 | | |
| | **Debt-to-equity ratio** | 26.9% | | |
| **Asset-to-equity ratio** | Total assets divided by total stockholders' equity | | | |
| | Total assets | ₱12,487,969,024 | **1.8:1** | 1.7:1 |
| | Divided by: | | | |
| | Total stockholders' equity | 6,837,843,154 | | |
| | **Asset-to-equity ratio** | 1.8 | | |
| **Direct cost ratio** | Total direct costs divided by net revenues | | | |
| | Total direct costs | ₱4,815,859,375 | **78.1%** | 75.9% |
| | Divided by: | | | |
| | Net revenues | 6,167,831,107 | | |
| | **Direct cost ratio** | 78.1% | | |
| **Expense ratio** | Total operating expenses divided by net revenues | | | |
| | Total operating expenses | ₱1,038,520,689 | **16.8%** | 20.7% |
| | Divided by: | | | |
| | Net revenues | 6,167,831,107 | | |
| | | 16.8% | | |
| **Interest coverage ratio** | Total earnings before interest and Taxes divided by Total Interest expense | | | |
| | | | **16.7:1** | 24.4 |
| | Total earnings before interest and taxes | ₱1,473,744,512 | | |
| | Divided by: | | | |
| | Interest expense | 88,377,257 | | |
| | **Interest coverage ratio** | 16.7 | | |
| **Return on net sales** | Net income divided by net revenues | | | |
| | Net income | ₱1,194,026,073 | **19.4%** | 31.7% |
| | Divided by: | | | |
| | Net revenues | 6,167,831,107 | | |
| | **Return on net sales** | 19.4% | | |

| Ratio | Formula | 2019 | 2018 |
|---|---|---|---|
| **Return on assets** | Net loss from continuing operations divided by Average Total Assets<br><br>Net income ₱1,194,026,073<br>Divided by:<br>Total assets 12,487,969,024<br>**Return on assets** 9.6% | **9.6%** | 11.4% |
| **Return on investment** | Net income attributable to equity holders of parent divided by the sum of total interest-bearing debts and equity attributable to equity holder of parent<br><br>Net income attributable to equity holders of parent ₱1,129,066,014<br>Divided by:<br>Total interest-bearing debts + equity attributable to equity holder of parent 8,266,090,456<br>**Return on investment** 13.7% | **13.7%** | 16.6% |
| **Return on equity** | Net income divided by total capital<br><br>Net income ₱1,194,026,073<br>Divided by:<br>Total capital 5,554,032,102<br>**Return on equity** 21.50% | **21.50%** | 21.75% |

# Annex A: Reporting Template

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

## Contextual Information

| **Company Details** | |
|---|---|
| Name of Organization | MacroAsia Corporation |
| Location of Headquarters | 12/F PNB Allied Bank Center, 6754 Ayala Avenue, Makati City 1226, Philippines |
| Location of Operations | **MacroAsia Catering Services, Inc. (MACS) and Subsidiaries**<br>- *West Service Road, Merville Exit NAIA, Pasay City 1300, Philippines*<br>**MacroAsia Airport Services Corporation (MASCORP)**<br>- *3rd Floor, Bldg. A, Skyfreight Center, Ninoy Aquino Ave., Brgy. Sto. Niño, Parañaque City 1704, Philippines*<br>**MacroAsia Properties Development Corporation (MAPDC) and Subsidiaries**<br>*MacroAsia Special Economic Zone, Villamor Airbase*<br>*Pasay City 1309, Philippines*<br>**MacroAsia Air Taxi Services, Inc. (MAATS)**<br>- *2nd Floor Anzcor Hangar 2 Building-A, A. Soriano Island Aviation, Andrews Avenue, Pasay City 1300, Philippines*<br>**First Aviation Academy, Inc. (FAA)**<br>- *12/F PNB Allied Bank Center, 6754 Ayala Avenue, Makati City 1226, Philippines*<br>**MacroAsia Mining Corporation (MMC) and Subsidiaries**<br>- *12/F PNB Allied Bank Center, 6754 Ayala Avenue, Makati City 1226, Philippines*<br>**Airport Specialists' Services Corporation (ASSC) and Subsidiaries**<br>- *12/F PNB Allied Bank Center, 6754 Ayala Avenue, Makati City 1226, Philippines* |
| Report Boundary: Legal entities (e.g. subsidiaries) included in this report* | MacroAsia Catering Services, Inc. (MACS)<br>MacroAsia Airport Services Corporation (MASCORP)<br>MacroAsia Properties Development Corporation (MAPDC)<br>MacroAsi Air Taxi Services, Inc. (MAATS)<br>First Aviation Academy, Inc. (FAA)<br>MacroAsia Mining Corporation (MMC)<br>Airport Specialists' Services Corporation (ASSC) |
| Business Model, including Primary Activities, Brands, Products, and Services | Maintenance Repair and Overhaul (MRO), Food Services, Gateway Services, Fixed-Based Operations (FBO), Aviation Training, Ecozone Development, Water Businesses and Mining |
| Reporting Period | December 31, 2019 |
| Highest Ranking Person responsible for this report | Dr. Lucio C. Tan |

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

## Materiality Process

| **Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.**[1] |
|---|
| In identifying the essential sustainability issues, opportunities, and risks, the company considers the following factors:<br><br>• *its impact on the business operations,*<br>• *critical issues to the stakeholders, and*<br>• *importance to the community where we operate* |

# ECONOMIC

## Economic Performance

### Direct Economic Value Generated and Distributed

| **Disclosure** | **Amount** | **Units** |
|---|---|---|
| Direct economic value generated (revenue) | 6,167,831,107 | PhP |
| Direct economic value distributed: | | |
| a. Operating costs | 5,840,923,556 | PhP |
| b. Employee wages and benefits | 2,025,059,029 | PhP |
| c. Payments to suppliers, other operating costs | 5,493,281,100 | Php |
| d. Dividends given to stockholders and interest payments to loan providers | 377,179,695 | PhP |
| e. Taxes given to government | 191,341,182 | PhP |
| f. Investments to community (e.g. donations, CSR) | 4,668,255 | PhP |

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Which stakeholders are affected?** | **Management Approach** |
|---|---|---|
| | | • *Strategic business planning* |

[1] See *GRI 102-46* (2016) for more guidance.

| | | |
|---|---|---|
| *Primary business operations:*<br>• *The company was able to generate higher revenue due to brisk business activities.*<br>• *As a labor intensive company, this translates to employment generation.*<br>• *Revenue generation means more taxes paid.*<br>• *Contributes to national economic development* | • *Employees – for the benefits given by the company*<br>• *Government – for the taxes paid, and withholding taxes remitted by the company*<br>• *Suppliers – for the purchases made by the company*<br>• *Community – for the CSR program of the company* | • *Engaging suppliers with Sustainable Development Goals incorporated in their business cultures.*<br>• *Achieving global market leadership through sound and achievable goals*<br>• *Natural resources partner in the Philippines* |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| • *Operational and financial risks of the subsidiaries and affiliates*<br>• *Global Economic Slowdown*<br>• *Industry Regulations*<br>• *Competition*<br>• *Volatility of Foreign Exchange Rates*<br>• *Valuation of Non-Current Assets* | • *Employees*<br>• *Company*<br>• *Suppliers*<br>• *Community*<br>• *Government*<br>• *Investors* | • *Group-wide monitoring process performed by executive/management committee held on a weekly basis*<br>• *Aggressive marketing, offering of innovative products and services*<br>• *Optimizing resources and provision of quality services*<br>• *Sustainable cost leadership efforts*<br>• *Year-round preventive maintenance of ground support equipment in accordance with the manufacturer's specifications*<br>• *Employees year-round training program in order to keep up with the latest trends with emphasis on operational safety, reliability and customer service*<br>• *Regular audit to ensure compliance with local and international standards* |

| | | |
|---|---|---|
| | | • *Regular renewal of accreditations and certifications to ensure services are carried out in accordance with respective countries' aviation regulations*<br>• *Maintain close relationship with airline clients, which in turn enables reciprocal arrangements for auxiliary aviation services.*<br>• *Strong backing of the Company's venture partners for a globally-competitive expertise and market reach*<br>• *Operational funding requirements and adequate capital to continue and expand its existing business and develop or venture into new business*<br>• *Engage in foreign exchange hedging transactions to minimize impact of losses from such fluctuation*<br>• *In the case pf the parent company, as maintaining the currency portfolio as per the guidance received from the Investment Committee*<br>• *Non-current assets are adjusted at fair market values for impairment, recoverability and timing of reclassification*<br>• *Scenario planning / Strategic business planning* |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| • *Business expansion organization* | • *Employees*<br>• *Company*<br>• *Suppliers* | • *Scenario planning / Strategic business planning* |

| | | |
|---|---|---|
| | • *Community*<br>• *Government* | |

## Climate-related risks and opportunities[2]

| Governance | Strategy | Risk Management | Metrics and Targets |
|---|---|---|---|
| Disclose the organization's governance around climate-related risks and opportunities | Disclose the actual and potential impacts[3] of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material | Disclose how the organization identifies, assesses, and manages climate-related risks | Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material |
| **Recommended Disclosures** | | | |
| a)<br>• *The Board of Directors, through its Risk Management Committee, and Audit Committee, oversees the climate-related risks and opportunities of the company. From time to time, the committee meets to discuss any material risk exposures, actions taken, and recommends corrective measures, as necessary* | a)<br>• *Emission reporting obligations*<br>• *Exposure to litigations*<br>• *Shift in consumer preferences*<br>• *The increased cost of raw materials*<br>• *Extreme weather events*<br>• *Diseases*<br>• *Disrupted business supply*<br>• *Uninsurable risks* | a)<br>• *The Chief Risk Officer (CRO) is the champion of Enterprise Risk Management (ERM); he shall be responsible for the identification and assessments of climate-related risks.*<br>• *The management team communicates the identified and assessed risk to the Board of Directors through board committees.*<br>• *The corporation disseminates the survey questionnaire to the different heads of subsidiaries. After that, the* | a)<br>• *The company assess the climate-related risks and opportunities by defining the probability, and materiality of its impact in the business operations* |

[2] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.
[3] For this disclosure, impact refers to the impact of climate-related issues on the company.

| | | | |
|---|---|---|---|
| | | *group will collate all the responses and map the identified and assessed climate-related risks.*<br><br>• *A weekly management committee meeting is in place to discuss any material risks exposures and opportunities identified and any additional information available as of the given date.* | |
| b)<br><br>• *The Chief Risk Officer is the champion of Enterprise Risk Management (ERM); he shall be responsible for the identification and assessments of climate-related risks.* | b)<br><br>• *Asset impairment/ early retirement of assets.*<br><br>• *Reduced revenue*<br><br>• *Increase in production cost* | b)<br>• *A weekly management committee meeting is in place to discuss any material risk exposures and opportunities identified and any additional information available as of the given date.* | b)<br><br>• *Quantitative and qualitative monitoring of resources* |
| | c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario | c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management | |

## Procurement Practices

### Proportion of spending on local suppliers

| Disclosure | Quantity | Units |
|---|---|---|

| | | |
|---|---|---|
| Percentage of procurement budget used for significant locations of operations that is spent on local suppliers | *85* | *%* |

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Which stakeholders are affected?** | **Management Approach** |
|---|---|---|
| • *There is a material economic impact on our primary business operations and/or supply chain. The group is engaged in diverse industries, i.e., gateway services, aircraft repair maintenance and overhaul, catering, water supply and treatment services.*<br>• *Our organization assists suppliers through our regular purchasing activities. A brisk and satisfactory relationship redounds to the business growth of our suppliers as well.* | • *Internally, the employer and employee*<br><br>*Externally,*<br>1. *the suppliers*<br>2. *the government*<br>3. *public/consumers* | • *It is the aim of management*<br>1. *Obtain quality goods and services at the lowest reasonable cost, while operating at the highest standards of ethical conduct.*<br>2. *Establish purchasing programs, goals and targets, policies, responsibilities that will stabilize our interaction with suppliers.*<br>• *Promote sourcing of local products to a greater degree as this spurs national economic development.* |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| • *Lack of reliable source of suppliers with track records which meet our procurements requirements which may result in higher operating costs.*<br>• *Effect of extreme weather conditions and natural calamities on agricultural products and water supply*<br>• *Environmental and health concerns (proper waste disposal,spoilage, spread of* | • *Our suppliers and clients are principally affected as our goods and services are price and inflation sensitive.* | • *Aggressive search for potential/ alternative roster of suppliers*<br><br>• *Build a wider range of agri-business suppliers and make appropriate substitute measures*<br><br>• *Same as # 2* |

| | | |
|---|---|---|
| *diseases, contamination, pollution)*<br>• *Dependence on imported items including equipment and other CAPEX needs*<br>• *Goods are supply-and-demand driven, thus affected by price fluctuations.*<br>• | | • *Explore tie-ups with local producers through contract growing arrangement and fabricators through manufacturing contracts*<br>• *Develop a stable supplier base to stabilize prices.*<br>  • *Establishment of uniform guidelines and procedures to regulate procurement activities.*<br>  • *Regular evaluation of supplier performance and forecasting of requirements with constant reference to historical purchases and deliveries*<br>  • *Collaboration of purchasing department with finance and support units* |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| • *Bulk/ Wholesale buying to capitalize on economies of scale, favorable payment terms and to mitigate effects of forex fluctuations and price volatility*<br>• *More timely supplier information using information technology.* | • *Same as above* | • *To align procurement policies and procedures of subsidiaries towards cost saving.*<br>• *Consolidate requirements of requesting units.*<br>• *Keep abreast of trends in information tech.* |

## Anti-corruption

### Training on Anti-corruption Policies and Procedures

| Disclosure | Quantity | Units |
|---|---|---|
| Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to | *100* | *%* |
| Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to | *100* | *%* |

| | | |
|---|---|---|
| Percentage of directors and management that have received anti-corruption training | *100* | *%* |
| Percentage of employees that have received anti-corruption training | *100* | *%* |

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Which stakeholders are affected?** | **Management Approach** |
|---|---|---|
| *Primary business operations*<br>• *Lower revenue*<br>• *Higher cost due to corruption.*<br>• *Loss of assets*<br>• *Lower results of operations* | • *Company*<br>• *Employees*<br>• *Suppliers*<br>• *Community*<br>• *Government* | • *The company is committed to establish a whistle-blower policy to encourage employees to report corrupt practices.*<br>• *Cultivate a culture of honesty, transparency and integrity* |
| **What are the Risk/s Identified?** | | |
| • *Higher cost for the company, which translates to a lower bottom line.*<br>• *Reputational risk*<br>• *Loss of sales/customers* | | |
| **What are the Opportunity/ies Identified?** | | |
| • *Good publicity*<br>• *Higher rating*<br>• *More sales means the higher bottom line* | | |

## Incidents of Corruption

| **Disclosure** | **Quantity** | **Units** |
|---|---|---|
| Number of incidents in which directors were removed or disciplined for corruption | *0* | *0* |

| | | |
|---|---|---|
| Number of incidents in which employees were dismissed or disciplined for corruption | *0* | *0* |
| Number of incidents when contracts with business partners were terminated due to incidents of corruption | *0* | *0* |

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Which stakeholders are affected?** | **Management Approach** |
|---|---|---|
| *-NA-* | *-NA-* | *-NA-* |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *-NA-* | *-NA-* | *-NA-* |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *-NA-* | *-NA-* | *-NA-* |

# ENVIRONMENT

## Resource Management

### Energy consumption within the organization:

| Disclosure | Quantity | Units |
|---|---|---|
| Energy consumption (renewable sources) | *n/a* | |
| Energy consumption (gasoline) | *1,208* | *GJ* |
| Energy consumption (LPG) | *5,716* | *GJ* |
| Energy consumption (diesel) | *102,946* | *GJ* |
| Energy consumption (electricity) | *2,081* | *MW* |

### Reduction of energy consumption

| Disclosure | Quantity | Units |
|---|---|---|
| Energy reduction (gasoline) | *n/a* | *Liters* |
| Energy reduction (LPG) | *n/a* | *Kgs* |
| Energy reduction (diesel) | *n/a* | *Liters* |
| Energy reduction (electricity) | *n/a* | *kWh* |
| Energy reduction (gasoline) | *n/a* | *Liters* |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *Use of non-renewable energy in aviation services, mining, and water supply operation utilizing the following:*<br>• *Power Generators*<br>• *Equipment and Vehicles*<br>• *Industrial equipment* | • *Employees*<br>• *Community*<br>• *Employers* | • *Installation of cost saving devices on existing equipment and vehicles that uses power and fuel*<br>• *Acquisition of more fuel-efficient vehicles and equipment*<br>• *Proper use and regular preventive maintenance of electrical and fuel driven vehicles and equipment* |
| **What are the Risk/s Identified?** | | |
| • *Greenhouse gases generation*<br>• *Potential air and noise pollution* | | |
| **What are the Opportunity/ies Identified?** | | |
| • *Reduction of operating expense*<br>• *Improvement of Bottomline* | | |

## Water consumption within the organization

| Disclosure | Quantity | Units |
|---|---|---|
| Water withdrawal | *8,204,436* | *Cubic meters* |
| Water consumption | *11,884,723* | *Cubic meters* |
| Water recycled and reused | *15,840* | *Cubic meters* |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *Extraction of surface water on rivers located in*<br>• *Maragondon, Cavite*<br>• *Solano, Nueva Vizcaya*<br>• *Malay, Aklan*<br>*Extraction of ground water in*<br>• *Naic, Cavite*<br>**What are the Risk/s Identified?**<br>• *Over extraction of surface water that may result to:*<br>– *Reduced downstream flow*<br>• *Over extraction of ground water that may result to:*<br>– *Lowering of water table*<br>– *Salt intrusion*<br>– *Ground subsidence*<br>• *Water pollution*<br>**What are the Opportunity/ies Identified?**<br>• *Reduce dependence on water sources*<br>• *Less operating expense*<br>• *Better Returns* | • *Communities where surface and/or ground water are extracted*<br>• *Communities down-stream of river water sources*<br>• *Customers*<br>• *Employees*<br>• *Shareholders* | • *Proper use and regular preventive maintenance of water treatment facilities*<br>• *Regular monitoring of WTP performance vs design capacity*<br>• *Regular monitoring of potable water quality*<br>• *Recycling and reuse of wastewater*<br>• *Strict compliance to latest potable water (PNSDW) standards*<br>• *Adopted water Strict adherence water allocation specified in the Water Rights/Permit granted by NWRB*<br>• *conservation measures in facilities to reduce water consumption*<br>• *Information campaign to customers regarding water conservation tips*<br>• *Adopted water recycling/reuse* |

## Materials used by the organization

| Disclosure | Quantity | Units |
|---|---|---|
| Materials used by weight or volume | | |
| • *Renewable*<br>– *Water* | <br>11,884,723 | <br>cu.m. |
| • *Non-renewable*<br>– *Gasoline*<br>– *Diesel*<br>– *LPG*<br>– *Electricity*<br>– *Various Chemicals* | <br>37,506<br>2,867,583<br>116,661<br>86,711,753<br>103,416 | <br>Liters<br>Liters<br>kgs<br>kWh<br>kgs |
| Percentage of recycled input materials used to manufacture the organization's primary products and services | | % |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| • *Raw water from surface and ground water sources*<br>• *Fuel, power, and other materials needed for production* | • *Employees*<br>• *Community*<br>• *Suppliers*<br>• *Customers* | • *Strict adherence water allocation specified in the Water Rights/Permit granted by NWRB*<br>• *Campaign on Clean Water Awareness*<br>• *Watershed protection thru tree planting activities* |
| **What are the Risk/s Identified?** | | |
| • *Reduction of available flow of raw water*<br>• *Water pollution*<br>• *Shortage in supply of power, fuel, etc.* | | |
| **What are the Opportunity/ies Identified?** | | |
| • *Operating cost reduction*<br>• *Better returns* | | |

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

| Disclosure | Quantity | Units |
|---|---|---|
| Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | *20* | *sites* |
| Habitats protected or restored | *9.28* | *Ha.* |
| IUCN[4] Red List species and national conservation list species with habitats in areas affected by operations | *n/a* | |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| • *Preservation of quality of well/catchment area*<br>• *Loss of forest covers due to clearing*<br>• *Facility damage due to natural calamities*<br>• *Substandard facilities* | • *Employees*<br>• *Community* | • *Monitor water quality of well/catchment area*<br>• *Clean water awareness campaign geared towards communities around catchment area*<br>• *Reforestation of cleared areas if necessary*<br>• *Proper design of facilities*<br>• *Area protection thru perimeter fencing/lighting and deployment of security personnel*<br>• *Tree planting activities within the protected areas* |
| **What are the Risk/s Identified?** | | |
| • *Air emissions/pollution*<br>• *Water pollution*<br>• *Disturbance of flora and fauna* | | |
| **What are the Opportunity/ies Identified?** | | |
| *NONE* | | |

[4] International Union for Conservation of Nature

## Environmental impact management

### Air Emissions

#### *GHG*

| Disclosure | Quantity | Units |
|---|---|---|
| Direct (Scope 1) GHG Emissions<br>• Aviation Services<br>• Water Supply Services | <br>*8.22*<br>*1.18* | *Tonnes $CO_2$/year* |
| Energy indirect (Scope 2) GHG Emissions<br>• Aviation Services<br>• Water Supply Services | <br>*2,352.98*<br>*n/a* | *Tonnes $CO_2$/year* |
| Emissions of ozone-depleting substances (ODS) | *n/a* | *Tonnes* |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| • *Concentration of gas emissions from operation of vehicles and equipment*<br>• | • *Employees*<br>• *Proponent*<br>• *Contractor* | • *Provided air pollution control devices on vehicles and equipment to ensure government regulations are met*<br>• *Utilization of more environmentally friendly gensets that serve as backup source in case of power outages*<br>• *Reduction of carbon footprint thru utilization of:*<br>– *Vehicles and equipment that are fuel efficient* |
| **What are the Risk/s Identified?** | | |
| • *Emission of air pollutants from pumping and genset operation* | | |
| **What are the Opportunity/ies Identified?** | | |
| • *none* | | |

*Air pollutants*

| **Disclosure** (Aviation Services) | **Quantity** | **Units** |
|---|---|---|
| $NO_x$ | *0.045* | *ppm* |
| $So_x$ | *0.010* | *ppm* |
| Particulate matter (PM) | *0.009* | *ppm* |

| **Disclosure** (Water Supply Services) | **Quantity** | **Units** |
|---|---|---|
| $NO_x$ | *5.591* | *Tonnes/year* |
| Volatile organic compounds (VOCs) | *0.454* | *Tonnes/year* |
| CO | *1.183* | *Tonnes/year* |
| TSP | *0.396* | *Tonnes/year* |
| Particulate matter (PM) | *0.396* | *Tonnes/year* |

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | ***Which stakeholders are affected?*** | ***Management Approach*** |
|---|---|---|
| • *Air quality degradation*<br>• *Noise production*<br>**What are the Risk/s Identified?**<br>• *Release of air pollutants from use of vehicles and equipment*<br>• *Generation of dusts from roadworks*<br>• *Excessive noise generation from operation of equipment*<br>**What are the Opportunity/ies Identified?**<br>*-none-* | • *Employees*<br>• *Proponent*<br>• *Contractor* | • *Provided air pollution control devices on vehicles and equipment to ensure government regulations are met*<br>• *Utilization of more environmentally friendly gensets that serve as backup source in case of power outages*<br>• *Strictly practiced good housekeeping and followed preventive maintenance schedules of all equipment and vehicles*<br>• *Control vehicle speed to lessen suspension of road dust*<br>• *Conduct water spraying on roadworks to suppress dust sources and minimize discomfort to nearby residents*<br>• *Provided PPEs to employees working in areas with excessive noise* |

## Solid and Hazardous Wastes

*Solid Waste*

| Disclosure | Quantity | Units |
|---|---|---|
| Total solid waste generated | 401,193 | tons/yr |
| Recyclable | 430 | tons/yr |
| Residuals/Landfilled | 11,678 | tons/yr |
| Waste sludge | 40 | tons/yr |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| • *Solid waste generation*<br>• *Solid waste disposal*<br>• *Sludge production* | • *Employees*<br>• *Proponent*<br>• *Community*<br>• *Contractor* | • *Implemented a Ecological Solid Waste Management Plan (ESWMP)*<br>• *Solid waste segregation*<br>• *Established a material recovery facility*<br>• *Encouraged recycling and reuse*<br>• *Provided appropriate and sufficient solid waste receptacles and bins*<br>• *Coordinated with municipal/city solid waste collectors*<br>• *Engaged third party private solid waste collectors*<br>• *Properly treated, stored, and disposed sludge thru third party DENR licensed/accredited haulers* |
| **What are the Risk/s Identified?** | | |
| • *Soil/Land contamination*<br>• *Health hazard* | | |
| **What are the Opportunity/ies Identified?** | | |
| • *Operating cost reduction*<br>• *Better returns* | | |

*Hazardous Waste*

| Disclosure (Water Supply Services) | Quantity | Units |
|---|---|---|
| • *Total hazardous waste generated (stored on-site)*<br>• *Waste oil/used oil*<br>• *Busted LED components* | *1,080*<br>*15.6*<br>*8* | *Containers*<br>*MT/year*<br>*pcs* |
| *Total hazardous waste reused*<br>*a)Empty containers (reused)* | *24* | *containers* |
| *Total hazardous waste transported*<br>• *Empty containers*<br>• *Waste oil/used oil* | *120*<br>*15.6* | *containers*<br>*MT/year* |

| Disclosure (Aviation Services) | Quantity | Units |
|---|---|---|
| • Total weight of hazardous waste generated | 466 | tons/year |
| • Total weight of hazardous waste transported | 466 | tons/year |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| • *Handling of hazardous substances*<br>• *Accumulation of spent chemical containers*<br>• *Expired unused chemicals* | • *Employees*<br>• *Proponent*<br>• *Community* | • *Strictly followed Occupational Safety and Health Standards and practices*<br>• *Used appropriate PPEs in handling hazardous materials*<br>• *Segregated and tagged spent material containers into hazardous, non-hazardous, biodegradable, and recyclables*<br>• *Recycled, repurposed, and re-used non-hazardous, biodegradable, and recyclable spent containers of materials*<br>• *Properly disposed spent containers of hazardous materials and expired/unused materials thru third party DENR licensed/accredited haulers* |
| **What are the Risk/s Identified?** | | |
| • *Spill of hazardous substances*<br>• *Health and safety hazard* | | |
| **What are the Opportunity/ies Identified?** | | |
| • *Cost savings* | | |

## Effluents

| Disclosure | Quantity | Units |
|---|---|---|
| Total volume of water discharges | 4,099,792 | Cubic meters |
| Percent of wastewater recycled | 16 | % |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| • *Wastewater generation*<br>• *Wastewater discharge*<br>**What are the Risk/s Identified?**<br>• *Contamination of land and water bodies*<br>• *Suspension/revocation of discharge permit*<br>**What are the Opportunity/ies Identified?**<br>• *Reduction of demand for fresh water*<br>• *Additional revenue from treated wastewater reuse* | • *Employees*<br>• *Shareholders*<br>• *Customers*<br>• *Community* | • *Adopted appropriate and effective wastewater treatment technologies*<br>• *Properly operated wastewater treatment facilities*<br>• *Adopted "treat-at-point source" strategy*<br>• *Regularly monitored wastewater quality being discharged*<br>• *Established in-house testing laboratories for wastewater quality monitoring* |

## Environmental compliance

Non-compliance with Environmental Laws and Regulations

| Disclosure | Quantity | Units |
|---|---|---|
| Total amount of monetary fines for non-compliance with environmental laws and/or regulations | none | PhP |
| No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations | 1 | instance |
| No. of cases resolved through dispute resolution mechanism | 1 | instance |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| • *Acquisition of Environmental Compliance Certificate*<br>• *Pollution*<br>- *Air*<br>- *Water*<br>- *Land* | • *Employees*<br>• *Shareholders*<br>• *Customers*<br>• *Community* | • *Necessary permits were acquired and other government requirements are met prior to implementation of programs /projects*<br>• *Ensured strict compliance to government environmental laws and regulations?* |
| **What are the Risk/s Identified?** | | |
| • *Business stoppage* | | |
| **What are the Opportunity/ies Identified?** | | |
| *-NONE-* | | |

# SOCIAL

## Employee Management

### Employee Hiring and Benefits

*Employee data*

| Disclosure | Quantity | Units |
|---|---|---|
| Total number of employees[5] | 5603 | |
| a. Number of female employees | 2454 | # |
| b. Number of male employees | 3149 | # |
| Attrition rate[6] | 17% | rate |
| Ratio of lowest paid employee against minimum wage | 0.99 : 1 | ratio |

*Employee benefits*

| List of Benefits | Y/N | % of female employees who availed for the year | % of male employees who availed for the year |
|---|---|---|---|
| SSS | Y | 33% | 28% |
| PhilHealth | Y | 20% | 19% |
| Pag-ibig | Y | 33% | 30% |
| Parental leaves | Y | 3% | 1% |
| Vacation leaves | Y | 55% | 55% |
| Sick leaves | Y | 62% | 57% |
| Medical benefits (aside from PhilHealth)) | Y | 51% | 53% |
| Housing assistance (aside from Pag-ibig) | Y | 5% | 2% |
| Retirement fund (aside from SSS) | Y | 13% | 9% |
| Further education support | N | 0% | 0% |
| Company stock options | N | 0% | 0% |
| Telecommuting | N | 0% | 0% |
| Flexible-working Hours | Y | 9% | 14% |
| (Others) | | 33% | 28% |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| • *The company ensures that all benefits are available to its employees and all government mandated contributions are being processed on time as mandated by the Philippine law.* | • *Strict monitoring of the availments of the benefits* |

[5] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

[6] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

| | |
|---|---|
| • *Employee benefits increases motivation and loyalty towards work.* | • *Strict monitoring in the payment of the monthly contributions in SSS, Philhealth, and Pagibig.*<br>• *Management addresses the concerns via the climate survey conducted yearly. Townhall meeting conducted every quarter to update employees of company performance. Management exercises open door policy.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| • *Employees have a tendency to be complaisant since the benefits are readily available to them.*<br>• *Tendency to exhaust all loan benefits resulting to low monthly income.*<br>• *Some employees are showing lack of interest or concern.*<br>• *Some employees are not well informed of the available benefits.* | • *Strict monitoring of the availments of the benefits.*<br>• *Information dissemination on the available benefits to all employees.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| • *To further improve employee benefit on top of what is already provided.* | • *To study and re-evaluate existing policy on employee benefits and look for areas to improve.* |

## Employee Training and Development

| Disclosure | Quantity | Units |
|---|---|---|
| Total training hours provided to employees | | |
| a. Female employees | 15319.62 | hours |
| b. Male employees | 24287.46 | hours |
| Average training hours provided to employees | | |
| a. Female employees | 20.65 | hours/employee |
| b. Male employees | 32.33 | hours/employee |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| • *Providing training to employees ensures continuous learning and the acquisition of new skills on the part of the employees. The* | • *It is the obligation of the management to provide training and opportunity for the development of every employee.* |

| | |
|---|---|
| *ultimate benefit will be to the organization if employees constantly learn new skills.*<br>• *Classroom and actual training is being given to all employees prior to deployment as needed/required by client airlines in the aviation industry* | • *It is the Management's responsibility is to equip its employees by providing the best training possible needed in performing their jobs as part of their daily task.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| • *it is highly possible that employees would be tempted to seek greener pastures if and when their skills are enhanced* | • *To discourage employees from seeking employment elsewhere after receiving training, management should make salary adjustments to maintain a competitive rate.*<br>• *Company should give clear vision on the career path of the employees.*<br>• *Continued sourcing for external and internal candidates for succession planning purposes.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| • *Management will be assured that its employees are among the best in the industry with competitive salary package.* | • *Management should consider employee training and development as part and parcel of its corporate goals.* |

## Labor-Management Relations

| Disclosure | Quantity | Units |
|---|---|---|
| % of employees covered with Collective Bargaining Agreements | N/A | % |
| Number of consultations conducted with employees concerning employee-related policies | 31 | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| • *Since the organization is unorganized, a Collective Bargaining Agreement or CBA has no impact.* | • *To establish an open line of communication with the employees and to make sure that their grievances are properly addressed.* |

| | |
|---|---|
| | • *Company policy rules and regulation must be clear to all employees to minimize / prevent confusions.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| • *An unorganized establishment would always be at rist of being organized anytime* | • *Management should always be attentive to the sentiments of its employees* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| • *Management and employees should continuously have an open communication and develop rapport and coherence with regards to the company's rules and regulations.* | • *Management should consider the creation of a Labor-Management Council or LMC to provide a venue for employees to air their grievances.* |

## Diversity and Equal Opportunity

| Disclosure | Quantity | Units |
|---|---|---|
| % of female workers in the workforce | 32.33% | % |
| % of male workers in the workforce | 67.67% | % |
| Number of employees from indigenous communities and/or vulnerable sector* | 64 | # |

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

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Management Approach** |
|---|---|
| • *The data provided reflects management's commitment to gender equality giving the same privileges and equal job opportunities to all.*<br>• | • *The company has taken suitable measures in implementing policies that will give equal opportunities for all employees.*<br>• *The company is paying equal remuneration and benefits for work of equal value*<br>• *Maintain and respect diversity.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| • *Minimal to no risk identified.* | • *Maintain and respect diversity.* |

| | |
|---|---|
| • *Limitations to hiring of persons with identified medical challenges that would not allow them to handle food or be assigned in ground handling airport services.* | |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| • *A gender balanced and diversified environment will be conducive to equal opportunities to for all employees to work hand in hand with the company towards reaching their corporate goals thru creativity and sharing of new ideas.* | • *Maintain and respect diversity* |

## Workplace Conditions, Labor Standards, and Human Rights

### Occupational Health and Safety

| Disclosure | Quantity | Units |
|---|---|---|
| Safe Man-Hours | 142,972.80 | Man-hours |
| No. of work-related injuries | 26 | # |
| No. of work-related fatalities | 2 | # |
| No. of work related ill-health | 804 | # |
| No. of safety drills | 38 | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| • *A safe and healthy work place ensures efficiency and high productivity.*<br>• *With the Health & Safety Workplace policy program of the company, employees are assured for a good place to work with.* | • *Compliance to regulatory requirements and to labor laws on Occupational Safety and Health*<br>• *Management should keep and maintain a safe and healthy work place.*<br>• *Reduce injury and lost day rate by committing to targets per year.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| • *Management should classify which areas are risks prone compared to others and provide the necessary policy to minimize or address the risk involved.*<br>• *The use of the Safety Hazard & Safety/Security event report forms provided by the company employee and administration* | • *Proper labelling and wearing of Personal Protective Equipment should be a mandatory practice.*<br>• *The management conducts training, development and awareness to all employees about OSH.* |

| | |
|---|---|
| *can now easily classify and report to the proper authority to prevent the risk.* | |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| • *To further improve efficiency and productivity through providing a safe work environment.* | • *To follow government regulations regarding health and safety.* |

## Labor Laws and Human Rights

| Disclosure | Quantity | Units |
|---|---|---|
| No. of legal actions or employee grievances involving forced or child labor | 0 | # |

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

| Topic | Y/N | If Yes, cite reference in the company policy |
|---|---|---|
| Forced labor | N | |
| Child labor | N | |
| Human Rights | Y | *Policy on Against Fellow Employee/Authority found in the MAC Employee Handbook. |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| • *The data reflects the organization's strict compliance to labor laws and related government issuances regarding Labor and Human Rights.*<br>• *The DOLE Certificate of Labor Standard issued to the company is a proof that the company is adhering to the Philippine Labor Laws.* | • *To continue its current practice and at the same time look for possible areas to improve.*<br>• *For the company to continue to adhere with DOLE's rules and regulations.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| • *no risk identified* | • *To continue its current practice and at the same time look for possible areas to improve* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| | • |

| | |
|---|---|
| • *Government or private sector recognition as well as less exposure to labor or other cases.* | • *To continue its current practice and at the same time look for possible areas to improve.* |

***Against Fellow Employee/Authority**

| Offense | Corrective Action | | | | |
|---|---|---|---|---|---|
| | 1st | 2nd | 3rd | 4th | 5th |
| 1. Making false and malicious accusations (libel) against co-workers or fellow employees. | 3 | 15 | D | | |
| 3. Provoking a fight, inflicting injury, intimidating, threatening, insulting, and harassing a co-employee for any reason at anytime within the Company premises. | 7 | 15 | D | | |
| 4. Discourtesy and disrespectful acts towards superior, company visitors, representative or fellow employee. | 7 | 15 | D | | |

## Supply Chain Management

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

Yes, suppler must accomplish/comply with the accreditation requirement checklist (including the Supplier Accreditation Info Sheet (SAIF))

Do you consider the following sustainability topics when accrediting suppliers?

| Topic | Y/N | If Yes, cite reference in the supplier policy |
|---|---|---|
| Environmental performance | Y | • *Reference is made in the SAIF to determine if supplier is ISO Certified and has passed environment programs*<br>*Submission of Sanitary Permit; DENR Compliance* |
| Forced labor | N | |
| Child labor | N | |
| Human rights | N | |
| Bribery and corruption | Y | • *Supplier signs an Oath of Integrity* |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| | |

| | |
|---|---|
| • *The more we require our suppliers to conform with our procurement regulations, better coordination is achieved.*<br>• *Proper evaluation and selection of compliant supplier.* | • *To see to it that all our accredited suppliers are compliant with our requirements.* |
| **What are the Risk/s Identified?** | To see to it that all our accredited suppliers are compliant with our requirements. |
| • *Non-compliant suppliers may lead to more DOLE, DTI, BIR, SEC, and other related case exposure*<br>• *Supplier Risk- Lack of offers from suitable vendors which can result to higher prices of goods and services or loss business opportunities*<br>• *Over/under forecasting of needs.*<br>• *Failure to forecast, plan and consult with end users which can result in delay in lead time and/or disrupted delivery schedules.* | • *Assign personnel to monitor and evaluate supplier's compliance with procurement guidelines*<br>• *Establish and develop a wider base of suppliers by securing firm contracts*<br>• *More efficient procurement planning and forecasting*<br>• *a) Active collaboration between purchasing and the requesting departments.*<br>• *b) Procurement Planning- Identifying and consolidating requirements c) Determine just in time schedules* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| • *Activities are within legal framework.* | • *Create a team to monitor from time to time the compliance of all suppliers. Conduct spot audit.* |

## Relationship with Community

### Significant Impacts on Local Communities

| Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations) | Location | Vulnerable groups (if applicable)* | Does the particular operation have impacts on indigenous people (Y/N)? | Collective or individual rights that have been identified that or particular concern for the community | Mitigating measures (if negative) or enhancement measures (if positive) |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| • *Securing of Certificates for Benefits Availment* | • *Local Barangay/Municipality* | • *Applicable for Solo Parents* | • *N* | • *Compliance to the Solo Parent Act* | • *Enhancement measures* |
| • *Securing of HALAL Development Institute of the Phils. (HDIP) Certificate* | • *Local Islam Community* | • *N/A* | • *Y* | • *Requirements for employee HALAL crew.* | • *Enhancement measures* |
| • *Securing Bureau of Quarantine – Yellow Cards* | • *BOQ* | • *All employees* | • *N* | • *Requirement for Food Handlers within Airport premises* | • *Enhancement measures* |
| • *Continued certification for TESDA Apprenticeship program* | • *TESDA Office* | • *All Apprentices* | • *N* | • *Continued accreditation for assessment* | • *Enhancement measures* |
| • *Certificate of No Objection to water project* | • *LGU's,* | • *Community* | • *Y* | • *Water Rights,* | • *Enhancement measures* |

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

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

| **Certificates** | **Quantity** | **Units** |
|---|---|---|
| FPIC process is still undergoing | | # |
| CP secured | | # |

| **What are the Risk/s Identified?** | **Management Approach** |
|---|---|

| | |
|---|---|
| • *Dent in the community relation* | • *Open communication and CSR activities.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| *Identify the opportunity/ies related to material topic of the organization* | |

## Customer Management

*Customer Satisfaction*

| Disclosure | Score | Did a third party conduct the customer satisfaction study (Y/N)? |
|---|---|---|
| Customer satisfaction | *95.6%* | N |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| • *Customer satisfaction indicates the importance of the value of the product and service provided which fulfills the clients' expectation.*<br>*Business relationship is improved.* | • *We conduct the client survey annually to check on how the clients rate the service that we provide. Customer commendations and complaints are also monitored so that commitment and actions may be effected.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| • *Dissatisfaction of clients.* | • *Although unhappy customers won't love us if we give bad service, our competitor will. We take care of each and every one of our clients' need and we are rewarded with their trust and loyalty.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| • *To attract more clients.* | • *Keeping the customers satisfied helps us stand out from the competition.* |

*Health and Safety*

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on product or service health and safety* | 192 | # |
| No. of complaints addressed | 192 | # |

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

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Management Approach** |
|---|---|
| • *Food safety complaints' impact is on customer satisfaction and compliance to regulatory and statutory requirements. Occurrence is within the food supply chain from raw material source, processing until delivery of the products.* | • *Quality and Food Safety Management Systems*<br>• *Compliance to regulatory and statutory requirements*<br>• *Compliance to customers standards* |
| **What are the Risk/s Identified?** | **Management Approach** |
| • *Loss of customer; Lawsuits; Cease and desist order from regulatory agencies* | • Implementation of the Quality and Food Safety Systems |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| • *Better customer service*<br>• *Open communication with regulatory agencies* | • *Feedback mechanism; Immediate actions on issues*<br>• *Affiliations/membership with organizations related to the business circle* |

*Marketing and labelling*

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on marketing and labelling* | • *312 complaints received for 2019* | • *17 airline clients* |
| No. of complaints addressed | • *All complaints addressed* | • *#* |

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

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| • *The complaints will impact us through penalties imposed on us based on the service level agreements.*<br>• *The penalties are unplanned additional expense.* | • *Quality, quantity checks are performed on a regular basis to ensure that the meals provided meet the expectation of the clients* |
| **What are the Risk/s Identified?** | **Management Approach** |
| • *Complaints will impact client retention.* | • *Operational meetings are held regularly to discuss daily processes and ways to improve the service provided.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| • *Client retention* | • *Satisfied clients need not look for other providers. They will be loyal to our company.* |

*Customer privacy*

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on customer privacy* | • 0 | • Complaints |
| No. of complaints addressed | • 0 | • Complaints |
| No. of customers, users and account holders whose information is used for secondary purposes | • 0 | • Mishandled accounts/information |

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

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| • The *trustworthiness of the clients/customers to our company* | • *Our clients' privacy is important to us. Names or personalities are not shared within and outside the organization. Also we will be having an employees' orientation stressing on confidentiality and seminars on data privacy law why it is important.* |
| **What are the Risk/s Identified?** | **Management Approach** |

| | |
|---|---|
| • *Loyalty of the client to our company.* | • *We may lose the trust of the clients and customers if their personal data is shared without their permission.* |
| *What are the Opportunity/ies Identified?* | *Management Approach* |
| • *Being trustworthy is a trait that you can be proud of. With a good reputation, you are likely to be endorsed to potential clients.* | • *Potential clients and customers may be enticed to get to know who our beloved company is. They may keep us in mind for future tender requirements.* |

## Data Security

| Disclosure | Quantity | Units |
|---|---|---|
| No. of data breaches, including leaks, thefts and losses of data | • *0* | Cases of data breaches including leaks, thefts and losses |

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Management Approach** |
|---|---|
| • *Cases of such data breaches will have a great impact on the corporation's confidential files that are not to be shared with the public. It will also impact the e-mails of each and every employee that is in our company, risking the business done by the company*. | • *The company has a lot of countermeasures regarding these such attacks. The countermeasures are that we have a Firewall installed that limits the employees to visiting certain websites. We have our InterScan Messaging Security Suite wherein all the e-mails being received by the employees are scanned and filtered. This application prevents the employee from receiving different types of Spam mails and also determines which e-mails are harmful to the employee, hence, bad e-mails are quarantined. Also, we have included a Scan Mail feature for our E-mail server wherein the application scans all of the employees emails and determines which e-mail is harmful or not. Lastly, we have Kaspersky installed in every workstation keeping it safe from malicious files and threats.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| • *Data Breach. Data breaches are incidents where information is stolen or taken from a system without the knowledge or authorization of the* | • *The company will always be updating its security defenses for maximum defense and security for optimal usage. The company will* |

| | |
|---|---|
| *system's owner. Data breaches include data losses and data leaks and thefts.* | *be updating its policies regarding Data Security and will be implemented through its security applications throughout the year.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| • *If the company encounters a Data breach, the opportunity here is the upgrade of security systems and its data security policies.* | • *The company will evaluate the attack, continue to maintain and monitor audit logs across all facets of the business. Also, this will be the best time to collaborate, re-evaluate and brainstorm with its other subsidiaries to create industry standards, head off government regulations, and to share best practices.* |

# UN SUSTAINABLE DEVELOPMENT GOALS

## Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

| Key Products and Services | Societal Value / Contribution to UN SDGs | Potential Negative Impact of Contribution | Management Approach to Negative Impact |
|---|---|---|---|
| • *Potable Water* | • *Clean Water* | • *Over extraction of water* | • *Ensure availability of water and sustainable management of water* |
| • *Treated Waste Water* | • *Sanitation* | • *Land, water and air pollution* | • *Conserve and sustainably use the oceans, seas, and marine resources* |
| • *Aviation Support Services* | • *Decent employment and sustainable economic growth* | • *Susceptible to contamination and pollution concerns* | • *Ensure sustainable consumption and production patterns* |
| | | | |

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

# COVER SHEET

4 0 5 2 4

SEC Registration Number

M A C R O A S I A C O R P O R A T I O N
A N D S U B S I D I A R I E S

(Company's Full Name)

1 2 F P N B A l l i e d B a n k C e n t e r ,
6 7 5 4 A y a l a A v e n u e , M a k a t i C i t y

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

**Amador T. Sendin**
(Contact Person)

**8840-2001**
(Company Telephone Number)

**0 3** **3 1**
*Month* *Day*
(Calendar Year)

**1 7 - Q**
(Form Type)

*Month* *Day*
(Annual Meeting)

**NA**
(Secondary License Type, If Applicable)

**CFD**
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

**845**
Total No. of Stockholders

Domestic Foreign

---

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

**MACROASIA CORPORATION**
**March 31, 2020**

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

1. For the quarterly period ended **March 31, 2020**

2. Commission Identification Number **40524** 3. BIR tax Identification No. **004-666-098-000**

4. Exact name of issuer as specified in its charter **MACROASIA CORPORATION**

5. **Philippines** 6. _____ **(SEC Use Only)**
Province, Country or other jurisdiction of incorporation or organization — Industry Classification Code

7. **12th Floor PNB Allied Bank Center, 6754 Ayala Avenue, Makati City** **1226**
Address of Issuer's Principal office — Postal Code

8. **(632) 8840-2001**
Issuer's telephone number including area code

9. **N/A**
Former name, former address, and former fiscal year, if changed since last report

a) Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---|---|
| **Common Stock, ₱1 par value** | **1,575,798,693 Outstanding shares** |

b) Are any or all of the securities listed on a Stock Exchange?

Yes [ **X** ] No [ ]

| Name of Stock Exchange | Class |
|---|---|
| **Philippine Stock Exchange** | **Common Stock** |

12. Indicate by check mark whether the registrant:
(a) has filed all reports required to be filed by Section 17 of the Code and RSA 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 90 days.

Yes [ ✓ ] No [ ]

# MACROASIA CORPORATION AND SUBSIDIARIES

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

**For the First Quarter and**
**Period Ended March 31, 2020**

## PART I. FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

Our unaudited condensed consolidated financial statements include the accounts of MacroAsia Corporation and its subsidiaries, collectively referred to as the "the Group" or "MacroAsia Group" in this report.

The unaudited condensed consolidated financial statements for the first quarter ended March 31, 2020 have been prepared in accordance with Philippine Accounting Standard 34, Interim Financial Reporting. Accordingly, the unaudited condensed consolidated financial statements which are filed as Annex 1 of this report, do not include all the information required by generally accepted accounting principles in the Philippines (Philippine GAAP) for complete financial statements as set forth in the Philippine Financial Reporting Standards (PFRS).

### DISCUSSION AND ANALYSIS (MD&A) OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The main objective of this MD&A is to help the readers understand the dynamics of our Group's businesses and the key underlying factors for our financial results. Hence, our MD&A is comprised of discussions about our core business units and our analysis of the results of their operations. This section also focuses on key statistics from the unaudited condensed consolidated financial statements and discusses known risks and uncertainties relating to the aviation industry in the Philippines where we operate during the stated reporting period. However, our MD&A should not be considered all inclusive, as it excludes unknown risks, uncertainties and changes that may occur in the general, economic, political and environmental conditions after the stated reporting period or after the date of this report.

Our MD&A should be read in conjunction with our unaudited condensed consolidated financial statements and the accompanying notes. All financial information is reported in Philippine peso (₱), unless otherwise stated.

Any references in this MD&A to "the Parent Company", "MAC"; or "the Corporation" means MacroAsia Corporation and references to the "MacroAsia Group" or "the Group" means MacroAsia Corporation and its subsidiaries/associates.

Additional information about the Group which includes annual and quarterly reports can be found in our corporate website, *www.macroasiacorp.com*.

**BUSINESS OVERVIEW**

**MacroAsia Corporation**

MacroAsia Corporation is a publicly-listed company, incorporated in the Philippines on February 16, 1970, under the name Infanta Mineral and Industrial Corporation to primarily engage in the business of geological exploration and development. On January 26, 1994, its Articles of Incorporation was amended to change its primary purpose from geological exploration and development to that of engaging in the business of a holding company and to change its corporate name to Cobertson Holdings Corporation. On November 6, 1995, the SEC approved the amendment to the Parent Company's Articles of Incorporation to change its name from Cobertson Holdings Corporation to its present name, MacroAsia Corporation. MAC began commercial operations as a holding company under its amended charter in 1996.

MAC, through its subsidiaries and associates, is presently engaged in aviation-related support businesses. It provides in-flight and institutional catering services, airport ground handling services, aircraft maintenance, repair and overhaul (MRO) services, charter flight services, and operates an economic zone at the Ninoy Aquino International Airport (NAIA). Its subsidiaries and/or associated companies render services directly to airline customers/locators at twenty-seven (27) locations all over the country including NAIA, and Manila Domestic Airport (MDA) generating both local and export revenues. An integrated aviation career and resource development company is also established. A subsidiary of MAC also provides exploratory drilling services for third party clients. Another subsidiary has revenue-generating activities from water treatment for underground water sources, surface/river water, sea water and gray water, bulk water supply using surface water sources and water distribution in service concession areas outside of Metro Manila.

MAC continues to operate mainly through its seven (7) subsidiaries and three (3) associates, as fully discussed below.

**MacroAsia Catering Services, Inc.**

MacroAsia Catering Services, Inc. (MACS) was incorporated on November 5, 1996, then with a corporate name of MacroAsia-Eurest Catering Services, Inc. (MECS), to primarily provide in-flight catering services in NAIA. When MACS started commercial operations on September 1, 1998, it was a joint venture between MacroAsia Corporation (67%) and two foreign partners: SATS Ltd. (then known as Singapore Airport Terminal Services at 20%) and Compass Group International B.V. (then known as Eurest International B.V., at 13%). By mutual agreement of the three JV partners, a sale and purchase agreement with Compass Group International B.V. was executed on June 28, 2006 whereby MAC acquired the 13% shareholdings of the Compass Group. Since then, MACS continued to operate as a joint venture between MAC (80%) and SATS (20%). In the same year, the Board of Directors of MACS decided to change its company name to MacroAsia Catering Services Inc. On September 14, 2015, MAC signed a deed of absolute sale covering the assignment and transfer of part of its MACS' stake (13%) to SATS Ltd., thus changing the ownership structure in MACS to 67% MAC and 33% SATS.

MACS' in-flight kitchen facility is situated in a two-hectare lot being leased from the Manila International Airport Authority (MIAA). MACS' inflight operations is based on a concession agreement with MIAA that grants the right to operate an in-flight catering service for civil and/or military aircraft operating at the NAIA and/or the Manila Domestic Airport. MACS secures such right by remitting the monthly Concessionaire's Privilege Fee (CPF) which is 7% of its gross income.

MACS consistently complies with both local and international hygiene standards and environmental regulations. Its distinction lies in being the only in-flight airline caterer in the Philippines that holds an ISO certification (certified by Certification International of UK) on top of its HACCP and HALAL certificates conferred by independent and professional certifying organizations. To ensure that high standards are followed at all times, MACS maintains an in-house laboratory manned by microbiologists who are capable of performing advanced testing.

Capturing 67% of the in-flight catering market based on flight movement, MACS is the catering service provider to 17 full-service foreign carriers, freighters, VIP flights and General Aviation clients and 4 major airport lounges operating at the NAIA. MACS also has contract with an airline to provide top-up meals and ground feeding in case of flight delays.

MACS is also providing food services management and meals to non-airline institutional clients outside NAIA. This business has grown in line with the expansion plans of MACS to go beyond its airline catering portfolio. Because of the significant growth of this business, MACS incorporated MacroAsia SATS Food Industries Corporation (MSFI) on July 14, 2015 as a fully-owned subsidiary to operate a new food commissary near the East Service Road, Muntinlupa City, to service the food production requirements of institutional clients and to support the inflight kitchen inside NAIA. This commissary has 25,000 meals per day capacity with current utilization rate of 11% or 2,800 meals per day. MSFI also caters part of the food requirements of Cebu Pacific Airline. The property for this commissary is leased from MacroAsia Properties Development Corporation and has been operational since March 26, 2019.

As part of the company's expansion, MACS incorporated MacroAsia SATS Inflight Services Corporation (MSIS) on May 16, 2016 (a fully-owned subsidiary) which started to operate the inflight catering kitchen at the PAL Inflight Center, PAL Gate 3, Baltao St. cor MIA Road, Pasay City last March 16, 2019. The subsidiary currently provides inflight catering services for an average of 21,000 meals per day to Philippine Airlines (PAL).

MACS has been the recipient of several awards and commendations for outstanding service, besting other service providers from all over the world. Last September 2019, EVA Air presented the 2018 Excellence in Catering Award – South East Asia to MACS, this is the second consecutive year that MACS ranked no.1 among 7 stations in SEA region. In 2018, MACS ranked 4th in Qatar Airways' network-wide catering service provider evaluation program. MACS was also a recipient of the ADB SPC Excellence Award in December 2018. In 2017, MACS was recognized by Qantas (QF) for its "On-time Performance, Safety and Service Delivery" and also by Japan Airlines for being part of the "2016 Best Airport

Performance Award" received by the Manila Station. Last March 2017, Singapore Airlines awarded MACS the SQ Merit Award for catering excellence for fiscal year 2015-2016, a consistent feat for several years now.

MACS has a wide supplier's base, both local and international and it is not dependent on any single raw material supplier. MACS operates a bonded warehouse facility inside NAIA under a Bonded Warehouse License and monitored by a Bureau of Customs representative. Based on its quality standards, regular supplier quality audits (SQA) are conducted by MACS' Quality and Food Safety Department Officers together with Purchasing and Production Department representatives at the supplier's premises to inspect and verify the compliance to its manufacturing and supply standards.

In 2019, 2018, and 2017, MACS' sales contributions to MAC's consolidated gross operating revenues were 29%, 46% and 52%, respectively. MACS' airline clients include Air Niugini (PX), All Nippon Airways (NH), Cathay Pacific (CX), China Airlines (CI), China Southern (CZ), China Eastern (MU), Etihad Airways (EY), Eva Air (BR), Japan Airlines (JL), Korean Air (KE), Oman Air (WY), Qantas Airways (QF), Qatar Airways (QR), Royal Brunei (BI), Saudia Airlines (SV), Singapore Airlines (SQ) and Xiamen Airlines (MF). MACS is also the preferred caterer for VIP flights from NAIA. MACS delivered a total of 6.2 million meals in 2019, at an average production of about 17,000 meals a day. It services an average of 42 international flights a day, serving more than half of the foreign airlines that fly out of Manila. For the first quarter of 2020, MACS average production dropped to 13,500 meals a day. This is because of the travel restrictions imposed by multiple countries to handle the COVID-19 crisis.

As of March 31 2020, MACS and its subsidiaries, MSFI and MSIS, have core manpower complement of 823 individuals, excluding the 948 staffs contracted from external providers.

MACS is not aware of any existing or probable government regulations that would have an adverse impact on its on-going operations. It has no research and development activities/costs during the last three fiscal years.

**MacroAsia Airport Services Corporation**

MacroAsia Airport Services Corporation (MASCORP) was incorporated on September 12, 1997 to provide, manage, promote and/or service any and all ground handling requirements of military and/or commercial aircraft for passengers and cargo. MASCORP commenced its ground handling operations on April 19, 1999 at the NAIA, and has been generating both domestic and export sales. As of March 31, 2020, its work force consisted of 4,322 organic staff and 1,540 outsourced staff, 10% higher compared to same period in 2019.

On June 15, 1999 the company originally signed a joint venture agreement with Ogden Aviation Philippines B.V. to expand its international resource. Ogden Aviation Philippines B.V. was subsequently acquired by Menzies Aviation Group in 2001. By April 12, 2007, MAC acquired the 30% share of Menzies making MASCORP a wholly-owned subsidiary of MAC.

On November 29, 2019, 20% stake of MAC shareholdings to MASCORP was acquired by Konoike Transport Co. Ltd (Konoike) of Japan. This is in line with the agreed mutual

beneficial partnership of the two listed companies, MAC and Konoike which took place on November 5, 2019. In exchange of the 20% stake of MASCORP, MAC acquired 30% stake in Japan Airport Service Co. Ltd. (JASCO) through NKS Holding Co. Ltd., the Tokyo-based subsidiary of Konoike and Parent Company to JASCO. With this expansion in Japan, MASCORP will be able to generate additional revenues for processing and sending technical intern trainees in Japan and at the same time benefit from the management exchange program where the best practices in both countries can be adopted.

Aside from its current ground handling services to local and foreign clients in Manila for NAIA Terminals 1, 2, & 3, MASCORP is also operating in Cebu, Kalibo, Davao, General Santos, and Clark. Last March 2017, it started its ground handling in Laoag, Basco, Puerto Princesa, Busuanga, Legazpi, Iloilo, Roxas, Bacolod, Tacloban, Dipolog, Cagayan De Oro, Zamboanga, Cotabato, and Butuan. MASCORP also started handling Camiguin and Siargao flights of PAL Express in December 2017.

In 2019, MASCORP took over the Passenger Services Department of PAL Express in NAIA Terminal 3 on February 23. On March 16, 2019, MASCORP took over the Philippine Airlines' 1st and 2nd shift in NAIA – Terminal 2, Philippine Airlines' International Cargo Terminal in Manila and Philippine Airlines' domestic operations in Cebu – Terminal 1. On March 31, 2019 MASCORP started handling Jin Air in Kalibo station. On June 18, 2019 MASCORP's latest client, Qatar Airways, inaugurated in Davao Station. Towards the end of 2019, MASCORP started its ground handling in Tawi-Tawi on December 22, 2019.

MASCORP contributes 46%, 46% and 41% of the Group's total operating revenues for the period ended March 31, 2020 and for the year ended 2019 and 2018, respectively.

MASCORP's operations is dependent upon its concession agreements with Manila International Airport Authority (MIAA) for Manila station (Terminal 1, 2 & 3), GMR Megawide Cebu Airport Corporation (GMCAC) for Cebu station, Luzon International Premier Airport Development Corporation (LIPAD) which took over Clark International Airport Corporation (CIAC) for Clark Station, and Civil Aviation Authority of the Philippines (CAAP) for Kalibo, Davao, General Santos, Basco, Laoag, Puerto Princesa, Busuanga, San Vicente, Bacolod, Iloilo, Antique, Legazpi, Tacloban, Roxas, Butuan, Cotabato, Dipolog, Camiguin, Siargao, Zamboanga, Tawi-tawi, Cagayan De Oro, Davao. Its concessions agreement with the new stations is currently being processed with CAAP.

MASCORP secures its concessions by regularly paying the monthly Concession Privilege Fee (CPF) which is computed at 7% for MIAA (Manila Station) and CAAP (Davao Station), 7% and 10% for domestic and international flight, respectively for GMCAC (Cebu Station), and 4.9% for LIPAD (Clark Station), of the monthly gross revenues on both domestic and international services.

MASCORP is not aware of any existing or probable government regulations that would have an adverse effect on its business. Given the nature of its business, it has no research and development activities during the last three fiscal years.

**MacroAsia Properties Development Corporation**

MacroAsia Properties Development Corporation (MAPDC), another fully-owned subsidiary, was incorporated on June 4, 1996 to primarily engage in the acquisition, development and sale of real properties. After it completed its first infrastructure project in 1997 and following the Asian economic crisis, the company suspended pursuing further property development projects as a core business and refocused its efforts on aviation-support activities.

On August 31, 2000, MAPDC was registered as an Economic Zone (Ecozone) Developer/Operator with the PEZA. As such, it enjoys tax incentives. It re-started commercial operations on the same date, this time as the ecozone developer/operator of the 23-hectare MacroAsia Special Ecozone at the NAIA, with LTP as its anchor locator for the next 25 years. LTP is an associated company of MAPDC as LTP is 49% owned by MAC.

The MacroAsia Special Ecozone is presently managed by a lean team of core employees. The support services needed to maintain the ecozone are provided by contracted local service providers. Early in 2014, MAPDC acquired a 3-storey building near the East Service Road close to the Sucat Toll area in Muntinlupa City, which has now been developed and leased out as the commissary for food services to non-airline clients.

In 2015, MAPDC has entered into 2 long term lease agreements with Mactan Cebu International Airport Authority for a total of 4.3 hectares inside the airport. Also in 2015, LTP assigned its leased area inside the Mactan Cebu International Airport to MAPDC, comprised of a 2.7-hectares of developed land proximate to MAPDC's new leased areas in the airport. On October 2, 2018, 5 hectares of these leased areas was approved and designated as a special ecozone for aviation-related services, to be known as MacroAsia Cebu Special Ecozone.

MAPDC is the subsidiary that initially developed the Group's water services business (bulk water supply or commercial retail of treated surface water in selected localities). Starting 2012, MAPDC has projects in provinces outside of Metro Manila. MAPDC has formed a 100%-owned subsidiary, SNV Resources Development Corp. (SNVRDC) that built a water treatment plant and distribution network in Solano, Nueva Vizcaya that became operational during the first quarter of 2016. In December 2, 2016, MAPDC acquired 67% of Boracay Tubi System, Inc. (BTSI), one of the two water service providers in Boracay Island, Aklan. In August 2017, MAPDC acquired 100% of Naic Water Supply Corporation (NAWASCOR), a water utility company in Naic, Cavite. In 2017, MAPDC started site development activities for the Maragondon, Cavite Bulk Water Project.

As of March 31, 2020, MAPDC has a workforce of 44 employees.

For the past three years, MAPDC's contributes minimal administrative revenues in effect of PFRS 16, while the water companies under MAPDC contributed 6%.

MAPDC is subject to PEZA rules and regulations and will be affected by approval of the proposed bills pending in Congress that will modify benefits to PEZA locators. MAPDC does

not have any other significant agreements or patents, copyrights, licenses, franchises, concessions, or royalty agreement. It did not incur any research and development costs during the last three fiscal years.

**MacroAsia Air Taxi Services, Inc.**

MacroAsia Air Taxi Services, Inc. (MAATS) is a fully-owned subsidiary of MAC which was incorporated in June of 1996. MAATS is a licensed, non-scheduled domestic flight operator providing helicopter chartering services from its base at the General Aviation Area, Manila Domestic Airport to any point within the Philippines. The Company has five regular employees as of March 31, 2020.

MAATS started commercial operations in October 1996 utilizing its helicopter (Ecureuil AS350-B2, a 5-passenger aircraft) for flight operations. In August 22, 2016, MAATS suffered the fortuitous unfortunate incident of losing its helicopter and crew in one flight mission hampered by unforeseen weather conditions. This tragic event halted MAATS' charter operations, and limited its revenue source to FBO ground handling services.

Since January 2013, MAATS has added to its service portfolio the provision of services for Fixed-Based Operations (FBO), mainly to support the MRO (maintenance, repair, overhaul) clients of Lufthansa Technik Philippines. FBO work entails the provision of airport solutions or logistical support, facilitating and securing all the necessary permits for a smooth and trouble-free entry and exit of MRO flights. The airport solutions provided by MAATS enhances the marketing of LTP-Manila as an attractive MRO station for foreign airlines.

There are no existing or probable government regulations that may have an adverse effect on MAATS operations. MAATS did not incur any research and development expenditures during the last three fiscal years.

**First Aviation Academy**

First Aviation Academy Inc. (FAA) was incorporated on December 5, 2017 and has its training facility established and inaugurated in March 2019 in Subic Bay International Airport as an integrated aviation career and resource center. Its business model was built on addressing the foreseen shortage of professional pilots for airline clients not only in the Philippines but also in other countries. FAA is a joint venture flight school between MAC (51%) and PTC Holdings Corporation (49%).

Initially, FAA will provide ab initio pilot training, certification and aviation-related career development courses. Its graduate pilots will have completed a Private Pilot License (PPL), Instrument Rating (IR), Multi-Engine Rating (MER) and a Commercial Pilot License (CPL). Top graduates will also have a chance to become a Flight Instructor, providing a unique way to build up their flying hours, while honing their instructor skills. Two main features that set FAA apart from other aviation schools in the country are its fleet of relatively brand-new TECNAM planes with full glass cockpit electronic instrumentation and the Redbird MCX and TD2 G-1000 simulators as they were procured just middle part of 2019. Such a training platform will enable students to develop the skill sets necessary to excel in the international aviation space.

In 2019, FAA started its year with three batches of classes with a total of 33 student which enabled the aviation school to contribute to the Group's total operating revenues for about 1%.

As of March 31, 2020, FAA has a workforce of 20 employees.

There are no existing or probable government regulations that may have an adverse effect on FAA operations. FAA did not incur any research and development expenditures during its first year of operations.

**Allied Water Services Inc. (formerly Airport Specialists' Services Corporation)**

On July 2, 1999, Airport Specialists' Services Corporation (ASSC), initially a wholly-owned subsidiary of MASCORP, was incorporated primarily to manage and to promote, service and/or provide manpower support for any and/or all ground handling requirements of private, military and/or commercial aircraft. ASSC commenced operations immediately after its incorporation but had ceased operations shortly thereafter. Toward the end of 2006, MAC acquired MASCORP's 100% ownership in ASSC. The effective ownership of MAC in ASSC was thus increased from 70% to 100%. Through the restructuring, the Company effectively acquired the 30% minority interest of Menzies Aviation Group in ASSC. Consequently, ASSC became a direct subsidiary of MAC.

Incorporated primarily as an aviation-support entity, Airport Specialists' Services Corporation (ASSC) was converted into a water holding company under the new name, Allied Water Services Inc. (AWSI) on August 22, 2019. AWSI was revived to establish, maintain and operate waterworks systems for potable water supply and/or waste water treatment systems. Currently, there are two subsidiaries under AWSI namely, Summa Water Resources, Inc. (Summa), and AlliedKonsult Eco-Solutions Corporation (AlliedKonsult) which remains under the project development stage. On September 13, 2019, Cavite AlliedKonsult

Services Corporation (Cavite Allied) was incorporated. This is a wholly-owned subsidiary of AlliedKonsult that will engage in the construction of sewage and septage treatment plants and facilities. Inclined toward a spinoff of water business units, MAC is preparing its water segment to be transferred fully under Allied Water Services, Inc. and no longer under MAPDC.

On October 1, 2018, ASSC, purchased 60% shares of stock held by the former individual shareholders of Summa Water Resources, Inc. The company has supplied water treatment equipment and bulk water to private and government entities in several locations in the Philippines – Balesin, Mactan, Iloilo, Albay, Bulacan, and Cavite to name a few. In September 2018, Summa and Citicore Power Inc. formed a joint venture company named Citicore Summa Water Corporation (CS Water) of which the former holds 40% ownership. The joint venture was established to develop raw water sources and supply treated bulk water for its customers. In June 2019, CS Water signed a Joint Venture Agreement for the financing, development, rehabilitation, expansion, improvement, operation and maintenance of the water supply and septage management of Janiuay Water District. In the same month, CS Water signed a Bulk Water Supply Contract with The City of Lapu-Lapu in Cebu for a 60 MLD Desalination Plant, the first large-scale desalination plant in the Philippines.

There are no existing or probable government regulations that may have an adverse effect on ASSC operations. ASSC did not incur any research and development expenditures during its first year of operations.

**MacroAsia Mining Corporation**

MacroAsia Mining Corporation (MMC), another wholly owned subsidiary of MAC, was incorporated on September 25, 2000 to serve as an institutional vehicle through and under which the business of a mining enterprise may be established, operated and maintained. The Company has eight regular employees and two probationary employees as of March 31, 2020.

MMC is now focused on providing consultancy and mining exploration services, particularly on nickel areas and projects. In 2017, MMC has an exploration and drilling contract for a project in the Dinagat Islands. The contract was intended for three months and was extended for another five months, thus, more than doubling the extent and value of the initial contract.

On November 15, 2018, MMC purchased Bulawan Mining Corporation from Philippine National Bank which amounted to ₱7.5 million. Bulawan Mining Corporation (BUMICO), a subsidiary of the Philippine National Bank (PNB), transferred its right for their Exploration Permit Application (EXPA 103-VII) over a 506-hectare area in Basay, Negros to MAC through the signing of a Deed of Assignment (DOA) on August 15, 2012. The DOA has been approved by Mines and Geosciences Bureau (MGB) Region VII Office on January 28, 2013. The area has a high potential for copper-gold molybdenum–silver mineralization. Several copper and gold mining companies have shown interest in the area. BUMICO also transferred its interests in the Bulawan Mining Project with an Operating Agreement with Philex Mining Corporation (PMC) to MAC through a Deed of Assignment (DOA) signed on September 6,

2012. The DOA was finalized after securing the written consent of Philex. Meanwhile, acquisition of MADECOR took effect recently on March 2, 2020.

In Northern Leyte, two exploration permit applications are being maintained by MacroAsia Mining Corporation and both are adjacent to the geothermal reservation of Tongonan: the Carigara property denominated as EXPA 0091-VIII-2007 covers 7,771.8 hectares which is situated immediately north of the Tongonan Geothermal Field and the Baybay property is at the southern extreme of the geothermal reservation denominated as EXPA 0092-VIII-2007 and covers an area of 7,488.5 hectares.

MMC's present operations do not require the intensive use of raw materials. Therefore, it does not have any major existing supply contracts.
MMC is not aware of any other existing or probable government regulations that may have any adverse effects on its business. MMC does not have any other significant agreements or patents, copyrights, licenses, franchises, concessions, or royalty agreement. It did not incur any research and development costs during the last three fiscal years.

**Lufthansa Technik Philippines, Inc. – A Joint Venture with MacroAsia Corporation**
Lufthansa Technik Philippines, Inc. (LTP) is a joint venture between MAC (49%) and Lufthansa Technik AG of Germany (51%). It provides a wide range of aircraft maintenance, repairs and overhaul (MRO) services at the NAIA, DMIA, MCIA, Kalibo International Airport, Puerto Princesa Airport, and Davao International Airport.

Following the signing of the joint venture agreement on July 12, 2000, and its subsequent registration with the Philippine Economic Zone Authority (PEZA) as an economic zone locator on August 30, 2000, LTP started its commercial operations on September 01, 2000. Since then, it has been recognized as an outstanding company that has consistently generated export revenues for the country.

As an ecozone locator, LTP has a 25-year lease contract with MacroAsia Properties Development Corporation (MAPDC). It has technical services agreements with PAL as a base client, as well as with other airlines, including Lufthansa Technik AG of Germany.

LTP also has a concession agreement with MIAA. The agreement grants LTP the right to operate as a provider of aircraft MRO services at NAIA Terminals 1, 2 and 3. LTP secures such right by yearly renewal of the agreement and paying the monthly CPF (7% of gross revenue).

On February 10, 2012, LTP opened its third aircraft hangar to accommodate maintenance works for the Airbus A380, the world's biggest and most technologically advanced commercial aircraft today.

In 2015, LTP completed its project to expand its existing two hangar bays, thus increasing its service capability for A380 heavy maintenance check, also enabling LTP to enter base maintenance for the B777. The hangar expansion was inaugurated in December 2015 and LTP had the first heavy check in its second A380 hangar in January 2016. In 2016, LTP

welcomed its first Asian A380 customer, the South Korean carrier flew to Manila in April and May for C1-checks on two A380s.

Furthermore, the B777 base maintenance capability build-up was completed in the later part of 2016, and having Philippine Airlines' B777 as its first customer in the first quarter of 2017.

LTP continued and further strengthened partnership with Philippine Airlines (PAL) as its main client for aircraft maintenance, repair and overhaul services not only in LTP's Manila facility but also in Line Stations in Clark, Cebu, Puerto Princesa, Kalibo and Davao. Other global clients for Aircraft Base Maintenance would include Lufthansa, AirAsia X, Asiana Airlines, British Airways, Korean Air, Jetstar Japan, Saudia Airlines, and Virgin Atlantic to name a few.

Through improvement of products and services for Aircraft Line Maintenance, customers have renewed their trust and confidence with LTP namely, Air Busan, Air China, ANA China Airlines, EVA Air, Jin Air, Jeju Air, Asiana Airlines, Korean Air, KLM, Qantas Airways and Japan Airlines. These are in addition to several long term contracts won in the previous years.

Aviation Authorities who have airworthiness oversight on these airline customers issue Approvals/Certifications to LTP for it to be able to provide MRO services to these airlines. LTP is approved/certificated by 19 Aviation Authorities worldwide as a provider of aircraft MRO services, including the Civil Aviation Authority of the Philippines (CAAP), the United States' Federal Aviation Administration (FAA), European Aviation Safety Agency (EASA), Korea MOLIT, Japan Civil Aviation Bureau (JCAB), and Kingdom of Saudi Arabia GACA, among others. LTP is also an official Design Department of Lufthansa Technik AG EASA Part 21 Design Organization, enabling it to create in-house minor repairs/changes to aircraft. The extent of LTP's work/services largely depend on these Approvals/Certifications, which require/specify that LTP's services must be carried out in accordance with the relevant aviation regulations. These Approvals/Certifications are renewed either annually or every two years.

LTP's total manpower count and regular employees increased by 2% and 3%, respectively, from the prior year. They have a labor force of 3,488 by March 31, 2020.
LTP is not aware of any existing or probable government regulations that would have an adverse impact on its on-going operations. It has no research and development activities/costs during the last three fiscal years.

**Cebu Pacific Catering Services, Inc.**
Cebu Pacific Catering Services, Inc. (CPCS) is MacroAsia's first in-flight catering venture which started commercial operations in October of 1996. MAC has 40% equity in this joint venture, while its partners - Cathay Pacific Catering Services of Hongkong and MGO Pacific Resources Corporation hold 40% and 20% equity, respectively.

CPCS is the first and presently still the only full-service airline catering company at the MCIA. CPCS is an economic zone locator covering 3,050 sqm in Mactan, Cebu and services both domestic and international airlines.

CPCS owns a two-storey kitchen facility designed to fully meet projected total airline catering demands and to easily accommodate future expansion. The facility was designed and developed by Cathay Pacific Catering Services (HK). With its current portfolio of clients, the facility still has excess capacity to serve the requirements of Mactan Cebu International Airport in the years to come.

CPCS is presently serving an average of 2,800 meals a day, using mostly local raw materials for its menus. It procures its raw materials from the local market and does not have any major raw materials supply contracts. CPCS services Philippine Airlines, Korean Air and Asiana Airlines, Cathay Pacific as well as Cebu Pacific Airlines.

CPCS's personnel count is at 145 employees as of March 31, 2020.

CPCS contributed an average of 9% MAC equity in the net income of associates out of the total consolidated net income.

As a registered entity, CPCS is subject to the rules and regulations of the Philippine Economic Zone Authority (PEZA). It is not aware of any existing or probable government regulations that would have an adverse effect on its operations.
CPCS does not have any other significant agreements or patents, copyrights, licenses, franchises, concessions, or royalty agreements. No research and development costs have been incurred by CPCS during the last three fiscal years.

**Japan Airport Service Corporation**
Japan Airport Service Co., Ltd. (also known as JASCO in Japan Aviation Industry) was founded on March 25, 1960 as an integrated ground handling company which provides safe flight operation in addition to value-added quality services accompanied by on-time performance to 29 carriers operating out of Narita International Airport in Japan.

In 2017, JASCO joined the KONOIKE Group; a global enterprise listed on the First Section of the Tokyo Stock Exchange and has immediately become one of the strengths of KONOIKE Group's Airport Division.

In effect of the MAC and KONOIKE Group partnership which took place on November 5, 2019, MAC purchased 30% of JASCO through through NKS Holding Co. Ltd., 100% Tokyo-based subsidiary of Konoike Transport Co. Ltd on December 6, 2019.

JASCO currently has six major functions including Flight Operation Management, Baggage Handling & Special Passenger Assistance Services, Cabin Cleaning, Loading/Unloading & Aircraft Movement, Cargo & Mail Handling and self-support GSE Maintenance. Moreover, it is still organically growing its capacity and capability to the other fields of ground handling.

To fulfill the commitment for safe flight operation with high-quality services, JASCO tailors all SOPs based on the operational requirements of respective customer carriers and exercise Point-and-Assured at each & every critical point of the process to ensure full compliance. Such exercise has earned JASCO a fame of service excellence with quite a few awards from our customer carriers.

JASCO currently handles 27 airlines as of March 31, 2020.

JASCO aims to secure target operation profit, which focuses on cost management, such as accelerating inter-section operator's allocation to maximize efficiency. On the other hand, work volume has been increasing due to new contracts from Chinese airlines.

Recently, United Airline Narita Airport Branch received a Platinum Award for station safety assessment systems around the world. JASCO was awarded for making significant contributions to this award.

JASCO is not aware of any existing or probable government regulations that would have an adverse effect on its operations. JASCO does not have any other significant agreements or patents, copyrights, licenses, franchises, concessions, or royalty agreements. No research and development costs have been incurred by JASCO since it became an affiliate of MAC.

**KEY PERFORMANCE INDICATORS**
*(in thousands except for ratios)*

***March 31, 2020 and 2019***

The Group uses major performance measures or indices to track its business results. The analyses are based on comparisons and measurement on financial data of the current period against the same period of the previous year. Among the measures are the following:

**Return on Net Sales (RNS)**

This ratio measures the amount of income, after all costs and expenses, including taxes are deducted, for every peso of net revenue earned.

| | | 2020 | 2019 |
|---|---|---|---|
| Return on Net Sales | = Total Net Income / Total Net Revenues | = ₱ 17,579 / 1,371,298 | ₱ 214,949 / 1,052,845 |
| | | = 1.28% | 20.42% |

Net revenues pertain to the revenues of the subsidiaries of the Group while the net income includes our share in the profits of our associates, LTP, CPCS and JASCOs. The lower consolidated RNS in the current period compared to same period last year is caused primarily by lower income contribution from our associates and operating subsidiaries in the first quarter of 2020 brought by the business slowdown as a result of restrictions imposed by governments due to the public health emergency arising from COVID-19.

**Return on Investment (ROI)**

This ratio measures the amount of income earned on invested capital.

| | | 2020 | 2019 |
|---|---|---|---|
| Return on Investment | = NI attributable to Equity holder of Parent / Total Interest-bearing Liabilities + Equity attributable to Equity holder of Parent | = ₱ 9,742 / 7,839,728 | ₱ 208,224 / 6,693,927 |
| | | = 0.12% | 3.11% |

The decrease in ROI is caused by the decrease in share in the profits of associates. The Group also had a number of loan contracts for a facility construction and equipment acquisition purposes in prior periods which substantially have outstanding balances as of the period end.

**Return on Equity (ROE)**

This KPI is a measure of the owner's return for every peso of invested equity.

| | | | 2020 | 2019 |
|---|---|---|---|---|
| Return on Equity | = Total Net Income / Total Equity | = | ₱ 17,579 / 6,444,359 | ₱ 214,949 / 5,708,063 |
| | | = | 0.27% | 3.77% |

The decrease in ROE is mainly because of the decline in income.

**Direct Cost and Operating Expense Ratio**

These ratios measure the average rate of direct costs and operating expenses on products/services sold.

| | | | 2020 | 2019 |
|---|---|---|---|---|
| Direct Cost Ratio | = Total Direct Cost / Total Net Revenues | = | ₱ 1,132,952 / 1,371,298 | ₱ 804,361 / 1,052,845 |
| | | = | 82.62% | 76.40% |

| | | | 2020 | 2019 |
|---|---|---|---|---|
| Operating Expense Ratio | = Total Operating Expenses / Total Net Revenues | = | ₱ 253,402 / 1,371,298 | ₱ 225,907 / 1,052,845 |
| | | = | 18.48% | 21.46% |

The Group's direct cost ratio increased due to the unavoidable fixed expenses that were incurred despite revenue growth slowdown in in-flight and other catering, and ground handling and aviation segments due to the COVID-19 impact.

The decrease in total operating expenses ratio of the group as compared to the previous year is likewise related to the decrease in business activities in aviation segment.

**Current Ratio**

This ratio measures the Group's ability to settle its current obligations.

| | | | 2020 | 2019 |
|---|---|---|---|---|
| Current Ratio | = Total Current Assets / Total Current Liabilities | = | ₱ 4,370,147 / 3,194,426 | ₱ 2,920,737 / 1,632,664 |
| | | = | 137% | 179% |

Although lower than that of the same period last year, the Group still has a healthy current ratio indicating the Group's solid ability to meet its current liabilities, with a large portion of current assets held as cash. The increase in current liabilities was due to the loans entered by the Group for additional capital expenditures.

**Debt-to-Equity Ratio**

This ratio indicates the relationship of the Group's debts to the equity of the owners.

| | | | 2020 | 2019 |
|---|---|---|---|---|
| Debt-to-Equity Ratio | = Total Interest-bearing Debts / Total Equity | = | ₱ 1,816,894 / 6,444,359 | ₱1,342,932 / 5,708,063 |
| | | = | 28% | 24% |

The upward movement in debt-to-equity ratio is due to the new loans obtained by the Group which remained outstanding as at period end. In addition, MSFI and BTSI have availed additional loans of ₱50 million each on the 1st quarter for their respective working capital requirements.

**Interest Coverage Ratio**

This ratio measures the number of times a company could make the interest payments on its debt with its earnings before interest and taxes.

| | | | 2020 | 2019 |
|---|---|---|---|---|
| Interest Coverage Ratio | = Total Earnings before Interest and Taxes / Interest Expense | = | ₱ 73,383 / 29,366 | ₱ 258,952 / 10,838 |
| | | = | 2.50:1 | 23.89:1 |

The high ratios show that the Group's operating results, measured through EBIT, is sufficient to cover interest payments arising from its debts. The movement in interest expense is parallel to the increase in the outstanding balances of the loans.

**Asset-to-Equity Ratio**

This ratio measures the company's leverage and long-term solvency.

| | | | 2020 | 2019 |
|---|---|---|---|---|
| Asset-to-Equity Ratio | = Total Assets / Total Equity | = | ₱12,392,672 / 6,444,359 | ₱ 8,561,371 / 5,708,063 |
| | | = | 192% | 150% |

The ratios indicate an increase in ratio between total assets and total equity, showing that the Group finances the purchase of assets mostly through equity or internally-generated funds but is also using debt-financing to fund growth in the businesses.

**RESULTS OF OPERATION (Year-to-Date March)**

The Group recorded a consolidated net income after tax of ₱17.58 million for the period ended March 31, 2020, exhibiting a negative variance of ₱197.37 million (-92%) as compared to the consolidated net income after tax of ₱214.95 million in the same period of 2019.

Revenues from in-flight catering contributed 47% of the total revenues and has shown an upward trend from last year's ₱447.24 million to the current year's ₱639.85 million. This is brought about by increase in the number of meals served to airline clients, from 1,900,207 in 2019 to 2,972,492 meals in 2020. The revenues from ground-handling & aviation services significantly rose by ₱153.10 million (+32%) from ₱473.58 million in 2019 to ₱626.68 million in 2020. The growth is due to continuous passenger and ramp services for the domestic and international flights of PAL and PAL Express and other air carriers which increased by a total of 6,056 flights (+16%) from 38,257 in 2019 to 44,313 in the current year.

Revenues from water operations contributed 6% of the total revenues, a decrease by ₱0.66 million (-1%) to ₱83.64 million from ₱84.30 million during the same period last year due to downturn of commercial water sales in Boracay as the island was impacted by COVID-19 tourism closure, although the water businesses in other areas grew. Billed volume of water in cubic meters ("cu.m.") grew by 1%, from 1.84 million cu.m. in 2019 to 1.86 million cu.m. in 2020.

Administrative revenues from ecozone leases did not vary significantly as rates charged did not vary significantly compared with last year.

Exploratory drilling revenue represents MMC's earnings from drilling contracts in Carrascal Surigao which was completed as of the period end.

Aviation training school, First Aviation Academy ("FAA") has started its commercial operation in May 2019 which onboarded batches of trainees and generated revenue from its current 33 trainees.

Total direct costs in 2020 amounted to ₱1,132.95 million, posting an increase of ₱328.59 million (+41%) from 2019. The increase is due to the higher labor costs of our ground-handling and catering subsidiary, driven largely by substantial increases in manpower count due to the growth in business volume following the takeover of PAL and PALex groundhandling and meal servicing starting March 16, 2019. Aside from the difference in staff headcount during the periods being compared, wage increases also impacted on the labor costs. Consolidated operating expenses grew by ₱27.50 million from ₱225.91 million in 2019 due to the correspond increase in personnel expenses as staff count grew.

Share in net income/losses of associates (LTP, CPCS and JASCO) amounted to ₱78.01 million, which decreased by ₱153.40 million (-66%). Changes in equity shares from period to period are dependent upon the results of operations of the associated companies. For the period ended March 31, 2020, our MRO business registered profits of ₱144.39 million from which we share 49% or ₱70.75 million. In the first quarter of 2019, MAC's share in LTP's income is ₱221.25 million, out of ₱451.53 million. The decrease in the income of LTP is due to the

slowdown in business operations attributable to the COVID-19 pandemic. CPCS - our catering associate in Cebu, reflected an 29% decrease in its net earnings also due to impact of COVID-19. MAC booked its 40% net income share in CPCS at ₱7.19 million, compared to last year's ₱10.16 million. JASCO-our groundhandling associate in Japan, contributed ₱0.08 million representing the 30% share in net income of MAC.

The interest income of ₱0.69 million pertains to income earned from short-term investments. Financing charges increased from ₱10.84 million in 2019 to ₱29.37 million in 2020, aligned with the increase in notes payable of the Group and impact of adoption of IFRS 16 *Leases*.

Other income and charges increased to ₱10.43 million against the ₱4.96 million in 2019 mainly due to forex gains as dollar exchange rates appreciates. The Group posted a provision for income tax in the amount of ₱27.12 million in 2020, 19% lower as compared to 2019's ₱33.32 million.

**FINANCIAL POSITION (Year-to-Date March)**

At the consolidated level as of March 31, 2020, total assets stood at ₱12.39 billion, posting a ₱95.30 million decrease from last year-end's level of ₱12.49 billion. Cash and cash equivalents of ₱0.74 billion decreased by ₱0.49 billion (-40%), which is caused by cash outflows from operating requirements. The Group sees no liquidity issues in 2020, as the cash balances of the operating subsidiaries are preserve to meet it currently maturing obligations.

Receivables increased by ₱1.22 billion or 64% due to dividend receivable from our associate LTP amounting to ₱0.95 billion, as payment was made subsequent to the 1st quarter. Inventories of ₱112.67 million were maintained in line with forecasted inventory level requirements. Input taxes and other current assets of ₱372.55 million represents input taxes, creditable withholding and prepaid taxes and unamortized prepayments for insurance covers, rent, utilities and unconsumed supplies as of March 31, 2020.

Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. Movements in the account are contributed by the share in cumulative translation adjustments for LTP and JASCO due to foreign exchange fluctuations, share in re-measurement gains and losses on defined benefit plans due to the revised PAS19, share in cash dividends declared and actually received during the current period, and the incremental equity share in net earnings/loss of the associated companies. The Group recorded a decrease of ₱869.77 million (-28%) in this investment account, from ₱3.09 billion in 2019 year-end to ₱2.22 billion as of March 31, 2020 as a result of dividend declaration of LTP.

The Group's property and equipment of ₱2.58 billion had an increase from last year's ₱2.56 billion due to new acquisitions made by our catering, ground handling, water and pre-operating companies offset by depreciations. Investment property of ₱143.85 million pertains to land held for future development by MAPDC.

Input taxes-net represent VAT paid on purchases of goods and services that can be recovered as tax refund/credit from the Bureau of Internal Revenue (BIR). The Group also has input taxes arising from acquisition of property and equipment and other assets.

The carrying amount of deferred income tax assets of ₱45.75 million as of March 31, 2020, did not change significantly from the prior year-end. The DTA mostly came from the allowances on probable losses and doubtful accounts. Other noncurrent assets increased by ₱13.86 million or 4% to ₱397.31 million due to the increase in deferred rent expense. Other noncurrent assets account also include deferred project costs, rental and refundable deposits, advances to contractors, restricted investment, prepaid rental equity investments designated at fair value through other comprehensive income (FVTOCI)/ available for sale (AFS) investments and retirement assets. The goodwill recognized by the Group amounting to ₱127.84 million resulted from the Company's acquisition of a non-controlling interest (13%) from a previous stockholder of MACS in 2006 and the purchase by MAPDC of 67% of BTSI in 2016, 100% of NAWASCOR in 2017 and ASSC of 60% of SUMMA in 2018. Service concession right amounting to ₱420.26 million pertains to incurred construction costs in relation to the construction of water treatment plant and pipe laying activities of SNVRDC and right for water supply and distribution of NAWASCOR and SUMMA. This asset was accounted for in accordance to IFRIC 12, Service Concession Arrangements, under the intangible asset model as SNVRDC received the right to charge users of the public service.

Accounts payable and accrued liabilities had a minimal decrease of ₱83.29 million (-5%) as of March 31, 2020. Loans payable of ₱1,816.89 million refers to the loan availed from local banks by several companies under the Group to finance their asset acquisition as a result of business expansion which remain outstanding as of year-end. During the year, loans were availed by, MSFI amounting to ₱50 million, BTSI with ₱50 million. Loan settlement during the year amounted to ₱125 million.

Accrued retirement benefits payable and other long term employee benefits amounting to ₱94.70 million is accounted for based on the latest actuarial valuation of the Group. Deferred tax liabilities of ₱139.50 million remained at the same level as prior year's ending balance. Dividends payable of ₱429.88 million shows the remaining outstanding checks payable by the Parent Company for the cash dividends declared to MAC shareholders.

The Group's other reserves pertain to MAC's gain on the sale of 13% of MACS shares of stock to SATS, the sale 49% of WBSI shares to MetroPac Water Investments Corporation (MWIC) and the sale of MASCORP's 20% shares to Konoike Transport Co., LTD. ("Konoike"), net of taxes paid. This is accounted for in accordance with International GAAP 2015 on sale of shares of stock without loss of control. Other components of equity pertain to Reserve for fair value changes of financial assets investments amounting to ₱45.07 million, the Parent Company's share in foreign currency translation adjustments (loss) of LTP and JASCO in the amount of (₱31.84) million which changes in accordance with US$ exchange rate fluctuations during the period covered, MAC's share in re-measurements of defined benefit plan of associates, and remeasurements of defined benefit plans of subsidiaries.

Movement in the "non-controlling interests" depends on the results of operations of MACS, ASSC, BTSI and WBSI, subsidiaries of MAPDC with JV partners. This account reflects the 33% equity share of SATS (JV Partner of MAC) in the catering JV,40% share of minority shareholders in SUMMA, 33% share of minority shareholders in BTSI, 49% share of MWIC in WBSI, 49% share of PTC Holding, Inc. ("PTC") in FAA, 20% share of Konoike in MASCORP and 49% share of minority shareholders in Allied Konsult. As of December 31, 2019, non-controlling interests amounted to ₱421.53 million.

**MacroAsia Corporation's Mining Project**

Macroasia Corporation holds two Mineral Production Sharing Agreements (MPSAs), MPSA-220-2005-IVB and MPSA-221-2005-IVB, both located in Brooke's Point, Palawan. MPSA-220 or the Infanta Nickel Project covers a total land area of 1,114 hectares with nickel in the form of laterite ore as the primary commodity. This area was the source of ore shipments to Japan in the 1970's.

The total extent of the laterite area explored within the MPSA is around 536 hectares with the deposit composed of limonite and saprolite ores. Within this delineated nickel ore envelope, 2,754 drill holes were done, resulting into 48,568.7 meters drilled. There were also 482 test pits that were dug, yielding 2,550.8 meters more for sampling. The resulting samples collected numbered 52,284, and these were analyzed for nickel (Ni), iron (Fe) and 12 other elements/oxides, including the loss in ignition (LOI), using fused bead done under X-Ray Fluorescence (XRF) technique at Intertek Laboratories. The Parent Company has completed an exploration report that is compliant to the Philippine Mineral Reporting Code (PMRC). A preliminary mining plan and a pre-feasibility studies have also been drafted.

The operation of the Mining Project has already been endorsed by the three impact barangays, including the indigenous people in the area. In 2010, the Parent company has received the Environmental Compliance Certificate (ECC) for operations and presently in the process of renewing the ECC under a revised Environmental Impact Assessment (EIA) Report having lapsed in 2015. Due to some legal issues, the Certificate Pre-condition (CP) is yet to be released by the National Commission of the Indigenous People (NCIP). The permit under the Special Environmental Plan (SEP) of the Palawan Council for Sustainable Development (PCSD) is adjunct to the CP under NCIP and that of the ECC under the Environmental Management Bureau (EMB). All other permits required for the mining operations have been secured. Pending the completion of the permitting process that will enable the project to progress into mine operation, maintenance works in the mineral property are being undertaken since 2012. The third renewal of the two-year Exploration Period under MPSA 220-2005-IVB was granted by the Mines and Geosciences Bureau (MGB) of the Department of Environment and Natural Resources (DENR) on March 19, 2018. The extended exploration period allows MacroAsia Corporation to gather more exploration data to fine-tune the feasibility study for operations and eventual metallurgical testing of the nickel laterite ore.

Bulawan Mining Corporation (BUMICO), a subsidiary of the Philippine National Bank (PNB), transferred its right for their Exploration Permit Application (EXPA 103-VII) over a 506-hectare area in Basay, Negros to MAC through the signing of a Deed of Assignment (DOA) on

August 15, 2012. The DOA has been approved by Mines and Geosciences Bureau (MGB) Region VII Office on January 28, 2013. The area has a high potential for copper-gold molybdenum–silver mineralization. Several copper and gold mining companies have shown interest in the area.

BUMICO also transferred its interests in the Bulawan Mining Project with an Operating Agreement with Philex Mining Corporation (PMC) to MAC through a Deed of Assignment (DOA) signed on September 6, 2012. The DOA was finalized after securing the written consent of Philex. In relation to the operating agreement between Philex and BUMICO, Philex committed to submit quarterly reports to MAC which will be subjected to regular validation by MAC's technical team.

Three (3) mining tenements are under operating agreement between Philex Gold Philippines Incorporated (PGPI), with PNB-MADECOR and PNB-BUMICO. MLC MRD 510 and EP 008-2010-VI are under PGPI-BUMICO agreement. The former is under renewal since 2014 with consequent conversion to MPSA while the latter is under application for the first renewal for exploration and have been signed by the representatives of PNB and PGPI on January 31, 2013. Both applications are yet pending with the MGB Central Office. EXPA 000100-VI, meanwhile, have been endorsed by MGB Region 6 to MGB Central Office for review and approval. The latter tenement is under PGPI-MADECOR agreement.

MacroAsia Corporation and MacroAsia Mining Corporation also maintain exploration permit applications (EXPAs) to mineralized areas in Carigara and Baybay City in Northern Leyte and in Pintuyan-San Ricardo in Southern Leyte denominated as EXPA 0091-, 0092-, and 0093-VI, respectively.

More recently, the thrust of MacroAsia Mining Corporation (MMC) is focused on the transfer of the mining tenements registered under MacroAsia Corporation to MMC. On 15th November 2018, MMC purchased BUMICO from PNB and on March 2, 2020, MMC also acquired MADECOR from PNB. The move is part of a bigger program on the spinning-off of MacroAsia Mining Corporation to become an independent entity from MacroAsia Corporation.

**NUMBER OF STOCKHOLDERS**

There are 845 stockholders as of March 31, 2020 and December 31, 2019.

**OTHER MATTERS**

1. Passenger loads and flight frequencies of airlines are the two most important factors that affect the revenue levels of the Group's operating units that are involved in catering and ground handling. The Group constantly monitors these two factors that directly impact on revenues and costs.

2. Being an aviation services provider, the Group has been impacted during the reporting period by the COVID-19 pandemic as flights were cancelled and airports

were closed down to contain the spread of the COVID-19 virus. Airline catering meal volumes and flight turnarounds were reduced by more than 90% of normal starting second half of March 2020 and this situation still prevails as of this report date. The management teams of the aviation services companies within the Group have immediately instituted cash conservation and cost-control measures to cope with the ensuing crisis and business downturn. Business recovery of the aviation service units will follow the track of the airline and tourism industries that will benefit from the easing up of quarantine and travel restrictions in the country and elsewhere. The water utilities and concessions business unit of the Group on the other hand, registered growth in their respective business areas during the time of the community quarantine.

3. Management does not anticipate within the next twelve (12) months, to have cash flow or liquidity problems despite the impact of the quarantine restrictions and business downturn. Before the pandemic, the Group has built up its cash reserves through its operating revenues and collections. Excess cash are invested in placements with better yields.

4. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

5. Other than the water projects in Cavite, there are no material commitments for capital expenditures created during the reporting period.

6. There have been no significant elements of income or loss that did not arise from the Group's continuing normal operations that are not disclosed in the consolidated interim financial statements.

7. The Group is not aware of any future event that will cause a material change in the relationship, vertical and horizontal analyses, of any material item from period to period.

8. Other than the COVID-19 pandemic, the Group is not aware of any seasonal aspects that have material effect during the reporting period.

9. The Group has not issued, repurchased or repaid any debt or equity securities during the current interim reporting period.

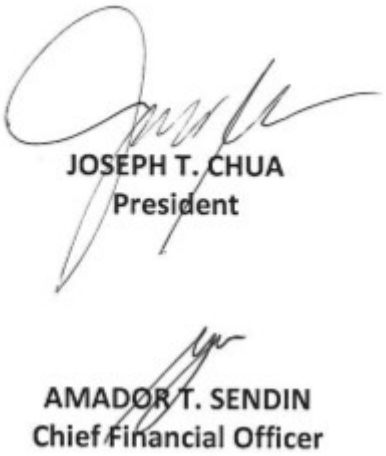
10. No material events have occurred subsequent to the end of the current interim period that should be reflected in the financial statements for the interim period.

# SIGNATURES

Pursuant to the requirement of Sec 17 of the Code and Sec 141 of the Corporation Code of the Philippines, this report has been reviewed by the Audit Committee of MacroAsia Corporation on June 15, 2020, and is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on June 16, 2020.

**MACROASIA CORPORATION**
Registrant

By:



Annex 1

# MACROASIA CORPORATION AND SUBSIDIARIES

## Interim Condensed Consolidated Financial Statements

**March 31, 2020 and 2019 (Unaudited)**

**and**

**December 31, 2019 (Audited)**

## *GENERAL INFORMATION*

**Directors (as of March 31, 2020)**

| | |
|---|---|
| Lucio C. Tan | (Chairman and CEO) |
| Carmen K. Tan | |
| Lucio C. Tan III | |
| Vivienne K. Tan | |
| Michael G. Tan | |
| Joseph T. Chua | (President and COO) |
| Eduardo Luis T. Luy | (Treasurer) |
| Johnip G. Cua | (Independent Director) |
| Ben C. Tiu | (Independent Director) |
| Samuel C. Uy | (Independent Director) |
| Marixi R. Prieto | (Independent Director) |

**Chief Financial Officer, Chief Risk Officer, Senior Vice President - Administration**
Amador T. Sendin

**Senior Vice President - Human Resources, Legal and External Relations, Chief Compliance Officer / Corporate Information Officer**
Atty. Marivic T. Moya

**Vice-President - Business Development/ Data Protection Officer**
Belgium S. Tandoc

**Corporate Secretary**
Atty. Florentino M. Herrera III

**Stock and Transfer Agent**
Trust Banking Group
Philippine National Bank (formerly Allied Banking Corporation)
3rd Floor, PNB Financial Center
Pres. Diosdado Macapagal Blvd., Pasay City

**Banks**

Philippine National Bank
(formerly Allied Banking Corporation)
6754 Ayala Avenue, Makati City

Philippine Bank of Communications
565-567 Sto. Cristo, Binondo Manila

Banco de Oro Universal Bank
EPC Building, Paseo de Roxas cor.
Gil Puyat Ave., Makati City

China Banking Corporation
8745 Paseo de Roxas corner Villar St. Makati City

Unionbank of the Philippines
Tektite Building, Ortigas Center, Pasig City

Asia United Bank
G/F Morning Star Center Building,
Gil Puyat Avenue, Makati City

Metrobank and Trust Company
New Manila Branch 676 Aurora Blvd.,
New Manila 1112 Quezon City

**Auditors**
SyCip Gorres Velayo & Co.
6760 Ayala Avenue, Makati City

**MACROASIA CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

| | MARCH 31, 2020 (UNAUDITED) | DECEMBER 31, 2019 (AUDITED) |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | ₱ **737,191,797** | ₱ 1,219,639,428 |
| Receivables and contract asset | **3,147,727,919** | 1,925,742,769 |
| Inventories | **112,673,818** | 105,978,871 |
| Input taxes and other current assets | **372,553,785** | 348,491,609 |
| Total Current Assets | **4,370,147,320** | 3,599,852,677 |
| **Noncurrent Assets** | | |
| Investments in associates | **2,217,760,411** | 3,087,533,060 |
| Property, plant and equipment | **2,584,669,768** | 2,561,076,769 |
| Investment property | **143,852,303** | 143,852,303 |
| Service concession right | **420,264,400** | 424,608,123 |
| Input taxes -net | **254,971,150** | 262,173,286 |
| Deferred income tax assets | **45,748,402** | 51,897,998 |
| Goodwill and intangible assets | **300,851,096** | 302,112,383 |
| Net Investment in the lease | **1,165,420,003** | 1,171,844,192 |
| Right of Use Asset | **491,677,878** | 499,566,989 |
| Other noncurrent assets | **397,309,398** | 383,451,244 |
| Total Noncurrent Assets | **8,022,524,808** | 8,888,116,347 |
| **TOTAL ASSETS** | ₱ **12,392,672,128** | ₱ 12,487,969,024 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Current loans payable | ₱ **1,041,472,461** | ₱ 1,057,536,067 |
| Accounts payable and accrued liabilities | **1,667,628,611** | 1,750,913,920 |
| Income tax payable | **30,758,953** | 14,004,966 |
| Dividends payable | **429,877,693** | 35,928,020 |
| Lease Liabilities Right of use Asset | **24,688,033** | 24,688,033 |
| Total Current Liabilities | **3,194,425,751** | 2,883,071,006 |
| **Noncurrent Liabilities** | | |
| Loans payable- net of current portion | **775,421,738** | 784,399,498 |
| Accrued retirement and other employee benefits payable | **94,704,260** | 93,089,694 |
| Deferred income tax liabilities | **139,502,848** | 142,800,411 |
| Lease Liabilities Right of use Asset - net of current portion | **1,693,195,285** | 1,698,736,101 |
| Other noncurrent liabilities | **51,063,501** | 48,029,160 |
| Total Noncurrent Liabilities | **2,753,887,632** | 2,767,054,864 |
| **Total Liabilities** | **5,948,313,383** | 5,650,125,870 |

| | | | | |
|---|---|---|---|---|
| **Equity** | | | | |
| Capital stock - ₱ 1 par value | | | | |
| Authorized - 2,000,000,000 shares | | | | |
| Issued and fully paid - 1,618,146,293 shares | | **1,618,146,293** | | 1,618,146,293 |
| Additional paid-in capital | | **281,437,118** | | 281,437,118 |
| Other Reserves | | **1,030,075,272** | | 1,030,075,272 |
| Other components of equity | | **(144,474,932)** | | (159,952,483) |
| Retained earnings | | | | |
| Appropriated | | **1,645,000,000** | | 1,645,000,000 |
| Unappropriated | | **2,052,067,826** | | 2,436,275,526 |
| Treasury shares | | **(459,418,212)** | | (426,826,835) |
| Total equity attributable to equity holders of the parent company | | **6,022,833,366** | | 6,424,154,891 |
| **Non-controlling interests** | | **421,525,379** | | 413,688,263 |
| **Total Equity** | | **6,444,358,745** | | 6,837,843,154 |
| **TOTAL LIABILITIES AND EQUITY** | **₱** | **12,392,672,128** | ₱ | 12,487,969,024 |

**MACROASIA CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME**
**For the period ended March 31**

| | JAN-MAR 2020 | JAN-MAR 2019 As Reported | JAN-MAR 2019 As Restated* |
|---|---|---|---|
| **NET SERVICE REVENUE** | | | |
| In-flight and other catering | ₱ **639,849,846** | ₱ 447,235,548 | ₱ 447,235,548 |
| Ground handling and aviation | **626,684,614** | 473,584,549 | 473,584,549 |
| Rental and administrative | **7,273,302** | 47,720,295 | 6,131,063 |
| Aviation training fee | **10,364,381** | - | - |
| Charter flights | **-** | - | - |
| Water | **83,639,585** | 84,304,216 | 84,304,216 |
| Exploratory drilling fees | **3,486,439** | - | - |
| | **1,371,298,167** | 1,052,844,608 | 1,011,255,377 |
| **DIRECT COSTS** | | | |
| In-flight and other catering | **475,871,157** | 288,522,021 | 288,522,021 |
| Ground handling and aviation | **578,713,970** | 404,604,628 | 403,874,610 |
| Rental and administrative | **11,687,532** | 44,961,250 | 3,372,018 |
| Aviation training cost | **10,804,418** | - | - |
| Charter flights | **-** | - | - |
| Water related expenses | **51,787,681** | 62,887,612 | 62,887,612 |
| Exploratory drilling expense | **4,087,107** | 3,385,723 | 3,385,723 |
| | **1,132,951,865** | 804,361,234 | 762,041,984 |
| **GROSS PROFIT** | ₱ **238,346,302** | ₱ 248,483,374 | ₱ 249,213,393 |
| **SHARE IN NET INCOME OF ASSOCIATES** | **78,011,612** | 231,414,948 | 235,570,656 |
| | **316,357,915** | 479,898,322 | 484,784,049 |
| **OPERATING EXPENSES** | **(253,401,859)** | (225,906,583) | (222,848,252) |
| **INTEREST INCOME** | **685,579** | 154,937 | 154,937 |
| **FINANCING CHARGES** | **(29,366,437)** | (10,837,558) | (17,846,311) |
| **OTHER INCOME - net** | **10,426,617** | 4,960,618 | 4,960,618 |
| **INCOME BEFORE INCOME TAX** | ₱ **44,701,814** | ₱ 248,269,736 | ₱ 249,205,041 |
| **PROVISION FOR INCOME TAX** | **27,122,726** | 33,321,214 | 32,301,181 |
| **NET INCOME** | ₱ **17,579,088** | ₱ 214,948,522 | ₱ 216,903,860 |
| **Attributable to:** | | | |
| **Equity holders of the parent** | **9,741,972** | 208,223,771 | 210,351,905 |
| **Non-controlling interests** | **7,837,116** | 6,724,752 | 6,551,955 |
| | ₱ **17,579,088** | ₱ 214,948,523 | ₱ 216,903,860 |
| **Basic Earnings Per Share** | **0.01** | 0.13 | 0.13 |

***amounts restated for the impact of adoption of PFRS 16 Leases***

**MACROASIA CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

| | | JAN - MAR 2020 | | JAN - MAR 2019 as Reported | | JAN - MAR 2019 as Restated* |
|---|---|---|---|---|---|---|
| **NET INCOME (LOSS)** | ₱ | **17,579,088** | ₱ | 214,948,523 | ₱ | 216,903,860 |
| **OTHER COMPREHENSIVE INCOME (LOSS) - Net** | | | | | | |
| **Net foreign currency translation adjustments** | | **15,477,552** | | (32,260,029) | | (32,260,029) |
| **Remeasurements on defined benefit plan** | | **-** | | - | | - |
| | | **15,477,552** | | (32,260,029) | | (32,260) |
| **Total Comprehensive Income (Loss)** | | **33,056,640** | | 182,688,493 | | 184,643,831 |
| **Attributable to:** | | | | | | |
| **Equity holders of the parent** | ₱ | **25,219,525** | ₱ | 175,963,741 | ₱ | 178,091,876 |
| **Non-controlling interests** | | **7,837,116** | | 6,724,752 | | 6,551,955 |
| | ₱ | **33,056,640** | ₱ | 182,688,493 | ₱ | 184,643,831 |

***amounts restated for the impact of adoption of PFRS 16 Leases***

**MACROASIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | For the period ended March 31 | |
|---|---|---|
| | **2020** | **2019** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| **Income before income tax** | ₱ **44,701,814** | ₱ 248,269,736 |
| **Adjustments for:** | | |
| **Equity in net (income) loss of associates** | **(78,011,612)** | (231,414,948) |
| **Depreciation and amortization** | **71,601,913** | 50,080,917 |
| **Depreciation and amortization - Right of Use Asset** | **6,638,673** | |
| **Interest on Lease Liabilities on Right Of Use Asset** | **6,389,915** | |
| **Interest income** | **(685,579)** | (154,937) |
| **Unrealized foreign exchange (gain) loss - net** | **(365,508)** | (1,391,548) |
| **Retirement benefit cost** | **-** | 460,466 |
| **Provision for (reversal of) other long-term benefits** | **1,614,566** | |
| **Financing charges** | **22,976,521** | 10,837,558 |
| **Operating income before working capital changes** | **74,860,704** | 76,687,245 |
| **Decrease (increase) in:** | | |
| **Receivables** | **(278,723,350)** | 16,879,337 |
| **Inventories** | **(6,694,947)** | 13,896,963 |
| **Other current assets** | **(24,062,176)** | (75,614,260) |
| **Increase (decrease) in:** | | |
| **Accounts payable and accrued liabilities** | **(83,285,309)** | (40,817,406) |
| **Accrued rental payables** | **-** | 2,162,914 |
| **Other noncurrent liabilities** | **4,284,779** | (771,859) |
| **Cash generated from (used in) operations** | **(313,620,300)** | (7,577,067) |
| **Interest received** | **685,579** | 154,937 |
| **Financing charges paid** | **(22,976,521)** | (10,837,558) |
| **Contributions to retirement fund** | **-** | (24,877,737) |
| **Income taxes paid , including creditable withholding taxes** | **(7,516,707)** | 21,718,683 |
| **Net cash from (used in) operating activities** | ₱ **(343,427,949)** | ₱ (21,418,742) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| **Acquisitions of property and equipment** | **(89,589,901)** | (184,975,683) |
| **Acquisitions of intangible assets** | **-** | (20,000,000) |
| **Dividends received** | **20,000,000** | 896,310,450 |
| **Decrease (Increase) in refundable deposits and other noncurrent assets** | **(6,656,019)** | 127,530,558 |
| **Net cash from (used in) investing activities** | ₱ **(76,245,919)** | ₱ 818,865,325 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| **Proceeds from availment of notes payable** | **100,000,000** | 250,000,000 |
| **Payments of notes payable** | **(125,041,366)** | (9,043,573) |
| **Acquisition of treasury shares** | **(32,591,377)** | - |
| **Payment of Lease Liabilities on Right Of Use Asset** | **(5,506,542)** | - |
| **Net cash from (used in) financing activities** | ₱ **(63,139,285)** | ₱ 240,956,427 |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | **365,521** | (16,724,205) |
| **NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS** | ₱ **(482,447,631)** | ₱ 1,021,678,806 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **1,219,639,428** | 675,196,833 |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** | ₱ **737,191,797** | ₱ 1,696,875,639 |

**MACROASIA CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**(In Thousand Pesos)**

| | Attributable to the Equity Holders of the Parent | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Retained Earnings | | | | |
| | Capital Stock | Additional Paid-in Capital | Share in Foreign Currency Translation Adjusment of an Associate | Remeasurements on Defined Benefit Plan | Share in Remeasurements on Defined Benefit Plan of Associates | Other Reserves | Reserve for fair value changes of financial assets investments | Treasury Shares | Appropriated | Unappropriated | Subtotal | Non-controlling Interest | Total |
| **BALANCES AT DECEMBER 31, 2018** | **1,618,146** | **281,437** | **53,348** | **39,663** | **(30,584)** | **143,300** | **35,720** | **(176,215)** | **840,000** | **2,688,487** | **5,493,302** | **350,343** | **5,843,645** |
| Dividend declaration | - | - | - | - | - | - | - | - | - | (318,270) | **(318,270)** | | **(318,270)** |
| Total comprehensive income (loss) | - | - | (32,260) | - | - | - | - | - | - | 210,352 | **178,092** | 6,552 | **184,644** |
| **BALANCES AT MARCH 31, 2019** ₱ | **1,618,146** | **281,437** | **21,088** | **39,663** | **(30,584)** | **143,300** | **35,720** | **(176,215)** | **840,000** | **2,580,569** | **5,353,123** | **356,895** ₱ | **5,710,018** |
| **BALANCES AT DECEMBER 31, 2019** | **1,618,146** | **281,437** | **(47,322)** | **(14,908)** | **(142,792)** | **1,030,075** | **45,070** | **(426,827)** | **1,645,000** | **2,436,276** | **6,424,155** | **413,688** | **6,837,843** |
| Dividend declaration | - | - | - | - | - | - | - | - | - | (393,950) | (393,950) | - | (393,950) |
| Total comprehensive income (loss) | - | - | 15,478 | - | - | - | - | - | - | 9,742 | 25,220 | 7,837 | 33,057 |
| Acquisition of treasury shares | - | - | - | - | - | - | - | (32,591,377) | - | | (32,591) | - | (32,591) |
| **BALANCES AT MARCH 31, 2020** ₱ | **1,618,146** | **281,437** | **(31,845)** | **(14,908)** | **(142,792)** | **1,030,075** | **45,070** | **(459,418)** | **1,645,000** | **2,052,068** | **6,022,833** | **421,525** ₱ | **6,444,359** |

## SUMMARIZED INCOME STATEMENT INFORMATION FOR UNCONSOLIDATED SUBSIDIARY

**LUFTHANSA TECHNIK PHILIPPINES, INC.**
**SUMMARIZED INTERIM STATEMENTS OF INCOME**
**in PHP**

| | January to March (UNAUDITED) | |
|---|---|---|
| | **2020** | 2019 |
| **REVENUE** | | |
| Core Revenue | **₱ 2,337,299,236** | ₱ 2,425,498,544 |
| Subcon/Reimbursement | **1,286,644,991** | 672,252,881 |
| **TOTAL REVENUE** | **3,623,944,227** | 3,097,751,424 |
| **LESS: COST OF SALES** | **1,857,303,325** | 1,190,107,894 |
| **GROSS PROFIT** | **1,766,640,902** | 1,907,643,530 |
| **LESS: OPERATING EXPENSES** | **1,520,854,895** | 1,323,444,230 |
| **INCOME FROM OPERATIONS** | **245,786,007** | 584,199,300 |
| **LESS/ (ADD): OTHER CHARGES/(INCOME)** | **79,537,537** | 90,430,181 |
| **INCOME BEFORE INCOME TAX** | **166,248,470** | 493,769,119 |
| **LESS: PROVISION FOR INCOME TAX** | **21,860,298** | 42,234,060 |
| **NET INCOME** | **₱ 144,388,172** | ₱ 451,535,059 |

## SUMMARIZED INCOME STATEMENT INFORMATION FOR UNCONSOLIDATED SUBSIDIARY

**CEBU PACIFIC CATERING SERVICES**
**SUMMARIZED STATEMENTS OF INCOME**
**In Pesos**

| | | January to March | | |
|---|---|---|---|---|
| | | **UNAUDITED** | | UNAUDITED |
| | | **2020** | | 2019 |
| **REVENUE** | **₱** | **58,868,440** | ₱ | 78,159,149 |
| **LESS: COST OF SALES** | | **35,094,971** | | 46,468,524 |
| **GROSS PROFIT** | | **23,773,469** | | 31,690,625 |
| **LESS: OPERATING EXPENSES** | | **4,648,860** | | 4,712,027 |
| **INCOME FROM OPERATIONS** | | **19,124,609** | | 26,978,598 |
| **LESS/ (ADD): OTHER CHARGES/(INCOME)** | | **(56,028)** | | (50,333) |
| **INCOME BEFORE INCOME TAX** | | **19,180,637** | | 27,028,931 |
| **LESS: PROVISION FOR INCOME TAX** | | **1,214,787** | | 1,622,010 |
| **NET INCOME** | **₱** | **17,965,850** | ₱ | 25,406,921 |
| **EQUITY SHARE IN NET INCOME (40%)** | **₱** | **7,186,340** | ₱ | 10,162,769 |

# SUMMARIZED INCOME STATEMENT INFORMATION FOR UNCONSOLIDATED SUBSIDIARY

**JAPAN AIRPORT SERVICE CO., LTD.**
**SUMMARIZED STATEMENTS OF INCOME**
In PHP

| | January to March | |
|---|---|---|
| | **UNAUDITED 2020** | **UNAUDITED** 2019 |
| **REVENUE** | ₱ **556,088,848** | ₱ - |
| **LESS: COST OF SALES** | **521,875,003** | - |
| **GROSS PROFIT** | **34,213,845** | - |
| **LESS: OPERATING EXPENSES** | **26,323,242** | - |
| **INCOME FROM OPERATIONS** | **7,890,603** | - |
| **LESS/ (ADD): OTHER CHARGES/(INCOME)** | **2,003,396** | - |
| **INCOME BEFORE INCOME TAX** | **5,887,207** | - |
| **LESS: PROVISION FOR INCOME TAX** | **5,636,978** | - |
| **NET INCOME** | ₱ **250,229** | ₱ - |
| **EQUITY SHARE IN NET INCOME (30%)** | ₱ **75,069** | ₱ - |

# *NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*

## *1. Corporate Information and Business Operations*

Corporate Information

MacroAsia Corporation (the Company or MAC), a publicly-listed corporation, was incorporated in the Philippines on February 16, 1970 under the name Infanta Mineral & Industrial Corporation to engage in the business of geological exploration and development. On January 26, 1994, its Articles of Incorporation was amended to change its primary purpose from exploration and development to that of engaging in the business of a holding company, and changed its corporate name to Cobertson Holdings Corporation. On November 6, 1995, the Company's Articles of Incorporation was again amended to change its corporate name to its present name. On August 7, 2018, the Company's Articles of Incorporation was further amended for the extension of the Company's corporate life for another 50 years, from and after February 15, 2020. However, under the Revised Corporation Code of the Philippines, MAC shall have perpetual corporate life. Its registered office address is at 12th Floor, PNB Allied Bank Center, 6754 Ayala Avenue, Makati City.

Business Operations

The principal activities of the Parent Company and its subsidiaries (collectively referred to as the "MacroAsia Group", "the Group") are described in Note 4. The Parent Company, through its subsidiaries and associates, is presently engaged in aviation-support businesses at 27 airport locations in the Philippines. It provides in-flight catering services, ground handling services for passenger and cargo aircraft, and helicopter charter flight services. It also operates/develops the sole economic zone within the NAIA.

Through MacroAsia Catering Services, Inc. (MACS), the Parent Company, is now providing the food requirements of some passenger terminal lounges in NAIA. It has also ventured into the provision of the food service requirements of non-airline institutional clients outside the airport. Further, considering the expertise of staff gained through the exploration of the Parent Company's Infanta Nickel Project in Palawan, the Parent Company provided nickel exploration services for other mining companies, through MacroAsia Mining Corporation (MMC). Through MacroAsia Properties Development Corporation (MAPDC), the Parent Company started pursuing projects related to reclaimed water supply, bulk water supply using surface water sources, and water distribution in areas outside of Metro Manila.

Through Lufthansa Technik Philippines, Inc. (LTP), an associate, which has a maintenance, repairs and overhaul facility in the Philippines, the Parent Company provides globally competitive heavy maintenance and engineering services for specific models of Airbus and Boeing aircraft for airline clients all over the world.

On February 5, 2020, the Philippine Securities and Exchange Commission (SEC) approved the change of Airport Specialists' Services Corporation (ASSC) registered name to Allied Water Services, Inc. (AWSI) also pursuing subsequent water-related projects.

## *2. Summary of Significant Accounting and Financial Reporting Policies*

**Basis of Preparation**

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for equity investments held at fair value through other comprehensive income (FVTOCI), which are carried at fair value. The interim condensed consolidated financial statements are presented in Philippine peso (₱), the Parent Company's functional and presentation currency. Amounts are rounded to the nearest thousands unless otherwise indicated.

**Statement of Compliance**

The interim condensed consolidated financial statements for the period ended March 31, 2020 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. This does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2019.

**Changes in Accounting Policies and Disclosures**

The accounting policies adopted are consistent with those of the previous financial years, except for the adoption of the following amendments to existing standards effective beginning January 1, 2020. Except as otherwise indicated, the new standards and amendments have no significant impact on the annual consolidated financial statements of the Group or the condensed interim consolidated financial statements of the Group.

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  These amendments will apply on future business combinations of the Group, if any.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  These amendments had no impact on the Group's consolidated financial statements.

Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning on or after January 1, 2021. The Group has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

*Effective beginning on or after January 1, 2021*

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

  Since the Group is not involved in insurance business, this standard is not relevant to the Group.

*Deferred effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a

business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

**Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group, its direct subsidiaries, the subsidiaries of MACS, MAPDC, Boracay Tubi Systems Inc. (BTSI) and the subsidiary of MMC, Watergy Business Solutions, Inc. (WBSI) and Airport Specialists' Services Corporation (ASSC), which were all incorporated in the Philippines and are registered with the Philippine Securities and Exchange Commission (SEC) as of March 31, 2020 (unaudited) and December 31, 2019 (audited).

| | | Percentage of Ownership by MAC | | | | Percentage of Direct Ownership by MACS/MAPDC/ WBSI/BTSI/MMC/ASSC | |
|---|---|---|---|---|---|---|---|
| | | **2020** | | 2019 | | | |
| | Nature of business | **Direct** | **Indirect** | Direct | Indirect | **2020** | 2019 |
| MacroAsia Airport Services Corporation (MASCORP) | Groundhandling aviation services | **80**[9] | – | **80**[9] | – | – | – |
| MacroAsia Catering Services Corporation (MACS) | In-flight and other catering services | **67** | – | 67 | – | – | – |
| MacroAsia SATS Food Industries (MSFI) [8] | Meal production and food processing | – | **67** | – | 67 | **100** | 100 |
| MacroAsia SATS Inflight Services Corporation (MSISC) [8] | Meal production and food processing | – | **67** | – | 67 | **100** | 100 |
| MacroAsia Air Taxi Services, Inc. (MAATS) | Helicopter chartering services | **100** | – | 100 | – | – | – |
| MacroAsia Properties Development Corporation (MAPDC) | Economic Zone (Ecozone) developer/operator and water supply | **100** | – | 100 | – | – | – |
| SNV Resources Development Corporation (SNVRDC) | Water treatment and distribution | – | **100** | – | 100 | **100** | 100 |
| Boracay Tubi System, Inc. (BTSI) [3] | Water treatment and distribution and construction of sewage treatment plant | – | **67** | – | 67 | **67** | 67 |
| MONAD Water and Sewerage Systems, Inc. (MONAD) [3] | Water sewerage treatment | – | **53.6** | – | 53.6 | **80** | 80 |
| New Earth Water System, Inc. (NEWS) [3] | Water projects | – | **67** | – | 67 | **100** | 100 |
| Naic Water Supply Corporation (NAWASCOR) [4] | Water distribution | – | **100** | – | 100 | **100** | 100 |
| Mabini Pangasinan Resources Development Corporation (MPRDC) [2] | Water projects | – | **100** | – | 100 | **100** | 100 |
| Panay Water Business Resources, Inc. (PWBRI) [2] | Water projects | – | **90** | – | 90 | **90** | 90 |
| Watergy Business Solutions, Inc. (WBSI) | Water projects | – | **90** | – | 90 | **90** | 90 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| *(Forward)* | | | | | | | |
| Cavite Business Resources Inc. (CBRI) | Water projects | – | **51** | – | **51** | **51** | **51** |
| First Aviation Academy, Inc[5] | Aviation school | – | **51** | – | **51** | **51** | **51** |
| Allied Water Services, Inc. (AWSI) [1] | Water sewerage treatment and water projects operator | **100** | – | **100** | – | – | – |
| AlliedKonsult Eco Solutions Corporation [2] | Water treatment | – | **51** | – | **51** | **51** | **51** |
| Cavite AllliedKonsult Services Corporation[2] | Water projects | – | **51** | – | **51** | **51** | **51** |
| Summa Water Resources Inc. (SWRI) [6] | Water treatment and equipment lease | – | **60** | – | **60** | **60** | **60** |
| MacroAsia Mining Corporation (MMC) | Mine exploration, development and operation | **100** | – | **100** | – | – | – |
| Bulawan Mining Corporation | Mine operation, development and utilization | **–** | **100** | – | 100 | **100** | 100 |
| MMC Management and Development Corporation | Mine operation, development and utilization | **–** | **100** | – | – | **100** | – |

*(1) Resumes operation as holding company of newly acquired water companies*
*(2) No commercial operations as of December 31, 2019*
*(3) Ownership interest effective December 2, 2016*
*(4) Ownership interest effective August 1, 2017*
*(5) Incorporated on December 5, 2017 and started commercial operations on May 19, 2019*
*(6) Ownership interest effective October 1, 2018*
*(7) Ownership interest effective November 15, 2018*
*(8) Started commercial operations on March 16, 2019*
*(9) Change in ownership interest starting December 5, 2019*
*(10) Ownership interest effective March 2, 2020*

Subsidiaries are entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary

and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but are considered as an impairment indicator of the assets transferred.

Non-controlling Interests

Non-controlling interest represents the portion of the net assets of consolidated subsidiaries not held by the Group. Non-controlling interest is presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within the equity section of the consolidated balance sheet, separate from the Company's equity. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognized in equity of the Company in transactions where the non-controlling interests are acquired or sold without loss of control. This is recognized in the Company's "other reserves". If the Group loses control over a subsidiary, it: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amount of any non-controlling interests; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of the consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; (g) reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The Group should re-attribute a proportion of the goodwill between the controlling and non-controlling interests when their relative ownership interests change. The proportion of goodwill that is attributable to the non-controlling interests is not necessarily equal to their ownership percentage.

### *3. Significant Judgments and Accounting Estimates*

The preparation of the consolidated financial statements in accordance with PFRSs requires the Group to exercise judgments, make estimates and use assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

**Judgments**

Judgment is exercised in assessing various factors in determining the functional currency of each entity within the Group. These include the prices of goods and services, competition, cost and expenses, and other factors including the currency in which financing is primarily undertaken.

*Determination of the Group's functional currency*
The Group, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be Peso. It is the currency of the primary economic environment in which the Group operates. The functional currencies of LTP and JASCO, the Group's associated companies, has been determined to be US$ and JPY, respectively.

The Group, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be Peso. It is the currency of the primary economic environment in which the Group operates. The functional currency of LTP, one of the Group's associated companies, has been determined to be US$ and JASCO has been determined to be Japanese Yen (JPY).

*Revenue from contracts with customers*
The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Determination of the timing of satisfaction of performance obligation*
  *In- flight and other catering, ground handling and aviation, and water services*
  The Group assessed that performance obligation for inflight and other catering, except for dry store and beverage, ground handling and aviation and water services are rendered to the customers over time. As a result, the Group's revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment.

  *Sale of dry store and beverage*
  The Group assessed that performance obligation for sale of dry store and beverage are satisfied at a point in time. The Group uses its judgment on when a customer obtains control of the promised goods. The Group has assessed that the actual

delivery of the goods to the customer is the point in time when the performance obligation has been satisfied.

- *Allocation of total transaction price between construction and operation and maintenance of STP*
  Management determined that the contractually agreed price for construction of STP does not depict the amount the Group expects to receive for the performance obligation as the costs of STP are also expected to be recovered through the fees from operation and maintenance. Accordingly, the Group determined that the total transaction price of construction and operation and maintenance (i.e., the performance obligations) of STP needs to be allocated. This required the estimation of each of the performance obligation's stand-alone selling prices based on expected value method. The Group estimates consideration from the construction of STP based on expected gross margin. On the other hand, the Group estimates the variable consideration from operation and maintenance of STP based on the historical patterns of water consumption and room capacity of the Group's customers.

*Assessment of control or significant influence over the investee*
The Group makes an assessment whether or not it controls an investee by considering all relevant facts and circumstances which indicate that the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. A reassessment is made if circumstances indicate that there are changes in these control elements. The Group has significant influence over an investee if it only has the power to participate in the financial and operating policy decisions, but not control or jointly control over the investee. As of March 31, 2020 and December 31, 2019, the Group still determined that it controls its subsidiaries and has significant influence over its associates.

*Assessment of operators under Philippine Interpretation IFRIC 12*
Management has assessed that memoranda of agreement with the Municipality of Solano, Nueva Vizcaya (Solano) to provide water distribution facilities and with the Municipality of Naic Cavite (Naic) to develop and operate water supply and distributions system are covered by the Philippine Interpretation IFRIC 12. The memoranda of agreement qualify under the intangible asset model with respect to the operation of the waterwork facilities as the Group has the right (license) to charge users of public service.

*Classification of leases - the Group as a lessor*
The Group has entered into short-term leases, which provide no transfer of ownership to the lessee. The Group has determined that, based on an evaluation of the terms and conditions of the arrangements, it retains all the significant risks and rewards of ownership of these equipment and accounts for these as operating leases.

*Determining the lease term of contracts with renewal and termination options - Group as a lessee*
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be

exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases which are renewable at the option of the lessee. The Group typically exercises its option to renew for these leases because of significant permanent improvement introduced in the leased premises. The renewal periods for leases are not included as part of the lease term if option to renew is at lessor's discretion or leases which renewal depends on mutual consent of contracting parties as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

*Contingencies*
The Group, in its normal course of business, is involved in various legal cases and claims. Based on management's assessment, the Group will be able to defend its position on these cases and that the ultimate outcome will not have a significant impact on the Group's consolidated financial statements. Accordingly, no provision has been recognized for these contingencies. LTP, the most significant associate of the Group also assesses the need to recognize the provisions based on the status of the claims.

**Estimates and Assumptions**
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects that period, or in the period of revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing material adjustment to the carrying amounts of the Group's assets and liabilities follow.

*Determination of fair values in business combination and goodwill*
The Group accounts for the acquired businesses using the acquisition method, which requires the identification of the assets and liabilities of the acquired entities and the determination of their fair values on acquisition date. Management exercises significant judgment and estimation to allocate the purchase price to the fair values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date.

On acquisition of the investment in JASCO, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets

and liabilities is accounted for either as goodwill included in the carrying amount of the investment relating to an associate or a joint venture or as income in the determination of the Company's share of the associate's profit or loss in the period in which the investment is acquired.

On the acquisition of NAWASCOR and SWRI, any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill or gain on bargain purchase in profit or loss.

As of March 31, 2020, investment in JASCO amounted to ₱853.8 million which includes a provisional goodwill amounting to ₱799.1 million.

In 2019 and 2018, management finalized the purchase price allocation of the acquisition of SWRI in 2018 and NAWASCOR in 2017 which resulted in recognition of goodwill amounting to ₱27.4 million and ₱36.9 million, respectively.

*Determination of fair value of financial instruments*
When the fair values of financial assets and financial liabilities recorded in the parent company balance sheet cannot be measured based on quoted prices in active markets, their fair values is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these assumptions about these factors could affect the reported fair value of financial instruments.

*Leases - estimating the incremental borrowing rate*
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group 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 IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

*Provision for expected credit losses (PFRS 9)*
The Group uses a provision matrix to calculate ECLs for financial assets at amortized cost. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analyzed.

The assessment of the correlation between observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

The Group has a segmentation of its credit risk exposures based on homogeneity of credit risk characteristics and credit risk management policies to identify defaulting customers using observable inputs such as historical loss rates, recoveries and write offs. The Group has also applied forward-looking information for its overlay through statistical test and corroboration using publicly available information.

The Group's receivables, net of allowance for the expected credit losses of ₱15.9 million and ₱15.5 million, amounted to ₱3,147.7 million and ₱1,925.7 million as of March 31, 2020 and December 31, 2019, respectively.

*Determination of NRV of inventories*
The Group estimates the NRV of inventories based on the most reliable evidence available at the time the estimates are made. These estimates consider the fluctuations of prices or costs directly relating to events occurring after the reporting date to the extent that such events affect the value of inventories. Other factors include the age of the inventories and Company's experience on write-off and expirations.

The Group did not identify any factors which indicate inventory obsolescence based on the above discussions. Accordingly, no provision was recognized in 2020, 2019 and 2018.

The Group's inventories carried at cost as of March 31, 2020 and December 31, 2019 and amounted to ₱112.67 million and ₱106.0 million, respectively.

*Estimating allowances for probable losses on input taxes and TCCs*
The Group estimates the level of provision for probable losses on input taxes and TCCs based on the experience of the Group and assessment of counsels assisting the Group in processing the claims and negotiating the realization of TCCs. As of March 31, 2020 and December 31, 2019, the carrying value of input taxes and TCCs amounted to ₱483.98 million and ₱446.90 million, respectively. Allowance for probable losses amounted to ₱27.79 million and ₱24.70 million as of March 31, 2020 and December 31, 2019.

*Determination of fair value of investment property*
The fair value of the Group's investment property is valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. As of March 31, 2020 and December 31, 2019, the fair value of the investment property is based on valuation performed by an accredited and independent valuer. The carrying value of the investment property amounted to ₱143.9 million as of March 31, 2020 and December 31, 2019.

*Estimation of useful lives of property and equipment*

The Group estimates the useful lives of property, plant and equipment based on the internal technical evaluation and experience with similar assets. In cases where the use of property, plant and equipment is dependent on the grant of certain permits to conduct its business, management considers the probability of renewal of such permits based on past experience. In this situation, useful lives of property, plant and equipment are based on the economic useful lives rather than the currently effective period of the permits. Estimated useful lives are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. There is no change in the estimated useful lives of property, plant and equipment in 2020 and 2019.

The carrying value of property and equipment subject to depreciation as of March 31, 2020 and December 31, 2019 amounted to ₱1,772.8 million and ₱2,095.6 million, respectively.

*Estimation of useful life of service concession right*

At the start of operation of the water work facilities, the service concession right is to be amortized over the concession period as provided in the agreements with relevant government units. The amortization period is reviewed when there are changes in the expected term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset. In 2018, NAWASCOR was granted additional concession period of 15 years by the Municipality of Naic, Cavite. Accordingly, NAWASCOR changed the useful life of its service concession right from 25 years to 40 years. The carrying value of the service concession right amounts to ₱420.3 million and ₱424.6 million as of March 31, 2020 and December 31, 2019, respectively.

*Estimation of useful life of intangible assets acquired as part of business combination*

The assigned useful lives of intangible assets acquired as part of business combination are estimated based on the period over which the asset is expected to be available for use. Such estimation is based on collective assessment of similar businesses, internal evaluation and experience with similar assets. Further, management considers the probability of renewal of certain permits and the cost and efforts in renewing such permits based on past experience. The useful life of each asset is reviewed at each financial year and updated if expectations differ from previous estimates due to technical or commercial obsolescence and legal or other limits on the use of the asset. There were no changes in the estimated useful lives of customer contract and relationships, while right to use asset is assessed to have indefinite useful life due to minimal efforts required to renew certain permits to extract and distribute water in relevant provinces based on past experience.

The carrying value of the customer contract and relationships amounted to ₱60.8 million and ₱61.6 million as of March 31, 2020 and December 31, 2019, respectively. The carrying value of the right to use asset amounted to ₱112.2 million and ₱112.6 million as of March 31, 2020 and December 31, 2019.

*Determination of impairment indicators and impairment testing of nonfinancial assets*

*Nonfinancial assets other than goodwill and intangible assets with indefinite life*
The Group assesses at each reporting date whether there is any indication that its nonfinancial assets other than goodwill and intangible assets with indefinite life (i.e., investments in associates, property, plant and equipment, right-of-use assets, investment property, service concession right, intangible assets, deferred project costs, deferred mine exploration costs) may be impaired. Also, the Group assesses whether facts and circumstances suggest that carrying amount of deferred mine exploration costs may exceed its recoverable amount. The factors that the Group considers important which could trigger an impairment review included the following, among others:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the overall business strategy; and,
- significant negative industry or economic trends.

If such indication exists, the Group performs impairment testing to estimate the recoverable amount of the related asset. Management determined certain facts which indicate impairment of the service concession right which required impairment testing as of March 31, 2020.

The carrying values of the nonfinancial assets are as follows:

| | **2020** | 2019 |
|---|---|---|
| Investments in associates | **₱2,217,760,411** | ₱1,817,746,491 |
| Property, plant and equipment | **2,584,669,768** | 2,195,068,505 |
| Investment property | **143,852,303** | 143,852,303 |
| Service concession right | **420,264,400** | 409,695,922 |
| Deferred project costs | **57,013,350** | 56,813,350 |
| Deferred mine exploration costs | **20,418,948** | 20,418,948 |

For the purpose of impairment testing of SNVRDC's service concession right, recoverable amount is determined based on the value-in-use using cash flow projections based on financial budgets as approved by management covering 20 years of projections, coterminous to the term of the concession agreement with the Municipality of Solano. The projected cash flows are based on expectations of future outcomes considering past experience, adjusted for anticipated revenue growth based on management's future plans. The discount rate is a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The pre-tax discount rate used is 8.5% in 2019. Based on the impairment test, the recoverable amount of the service concession right exceeds its carrying value. Management believes that any reasonable possible change in any of the assumptions used would not cause the carrying value to exceed its recoverable amount.

*Goodwill and intangible assets with indefinite life*
For goodwill and intangible assets with indefinite useful life, the Group performs impairment testing at least on an annual basis or more frequently, if events or changes in

circumstances indicate that it may be impaired. For the purpose of impairment testing, goodwill has been allocated to BTSI group, NAWASCOR, SWRI and MACS in 2019 and 2018 as the cash generating units.

The recoverable amounts of the cash-generating units have been determined based on a value-in-use calculation using cash flow projections based on financial budgets as approved by management covering five years of projections. The projected cash flows are based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth based on management's future plans. Cash flows beyond the forecast period are extrapolated into perpetuity assuming four percent (4%) growth rate for impairment test purposes. The discount rate is a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The discount rate is a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The pre-tax discount rate used ranges 8.4% to 9.0% in 2020 and 2019.

The carrying value of goodwill subjected to impairment testing, except for goodwill arising from SWRI acquisition, amounted to ₱127.8 million as of March 31, 2020 and December 31, 2019.

For the right to use of water permits, the recoverable amount is determined based on fair value less cost to sell calculations determined by discounting notional royalty savings after tax. These calculations use net sales projections and the related royalty savings based on a five-year projection. Net sales beyond the forecast period are extrapolated into perpetuity assuming four percent (4%) growth rate for impairment test purposes. Management considered the impact of cost to sell in the calculations of fair value less cost to sell as negligible. The royalty rate is the average of royalty rates for water distribution entities, while the discount rate was a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The royalty rate applied is 1.6% while pre-tax discount rates used range from 8.4% and 17.0% in 2020 and 2019.

The carrying value of right to use asset amounted to ₱112.2 million and ₱112.6 million as of March 31, 2020 and December 31, 2019, respectively.

Management believes that no reasonably possible change in any of the assumptions used would cause the carrying values of the goodwill and right to use asset to exceed their recoverable amounts. Based on management's assessment, the recoverable amounts of these assets are higher than their carrying values, thus no impairment loss was recognized.

*Impairment of deferred mine exploration costs*

For deferred mine exploration costs, the Group considers its ability to secure the necessary permits to continue its exploration activities within the mining tenements and the probability of subsequent operations of mining tenements. The recovery of deferred mine exploration costs depends upon the success of exploration activities, the discovery of recoverable reserves in quantities that can be commercially produced and future development of the mining properties, including grants of necessary permits.

While the Company finds its MPSAs valid and subsisting as affirmed by the MGB through the DENR, the Company assessed the prevailing mining prospects in the coming years and saw valid reasons to fully provide with allowance for probable losses on its deferred mine exploration costs relating to Infanta Nickel Project. In 2016, the Company recognized provision for probable losses amounting to ₱212.9 million which management believes still appropriate in view of its long outstanding applications to renew the exploration permits of its MPSAs in Palawan.

*Estimation of retirement benefits costs and obligation, and accumulating leave credits*
The cost of defined benefit pension plans, as well as the present value of the pension obligation is, determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All significant assumptions are reviewed at each reporting date. The calculation of accumulating leave credits follows the same assumptions as the defined benefit costs.

In determining the appropriate discount rate, management considers the interest rates of government bonds, adjusted to zero coupon rates, with term consistent with the obligation of the plan.

Accrued retirement and other employee benefits payable amounted to ₱94.7 million and ₱93.1 million as of March 31, 2020 and December 31, 2019, respectively. Pension asset amounted to ₱1.7 million as of March 31, 2020 and December 31, 2019, respectively, and is included under "Other noncurrent assets" account.

*Estimation of provisions for probable loss*
The Group is a party to certain claims arising from the normal course of business. The estimate of probable costs of possible claims has been developed in consultation with the Company's legal counsel and is based upon an analysis of potential results. The information usually required by PAS 37, Provisions, Contingent Liabilities and Contingent Assets, is not disclosed as it may prejudice the Company's negotiation with the third party.

LTP, on the other hand, has recognized provisions as of March 31, 2020 and December 31, 2019, which relate to certain claims by third parties. LTP's management exercised significant judgment in assessing the probability of the claims based on historical experience.

*Recognition of deferred income tax assets*
The Group reviews the carrying amounts of deferred income tax assets (gross of deferred income tax liabilities) at each reporting date and adjusts the balance of deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The determination of future taxable income, which will establish the amount of deferred income tax assets that can be recognized, requires the estimation and use of assumptions

about the Group's future income and timing of reversal of temporary differences, unused NOLCO and excess MCIT over RCIT.

Deferred income tax assets recognized, which relate primarily to operating subsidiaries, amounted to ₱45.75 million and ₱51.89 million as of March 31, 2020 and December 31, 2019, respectively. The Group also has unrecognized deferred income taxes primarily on the non-operating subsidiaries' temporary differences, NOLCO and MCIT.

## *4. Segment Information*

The Group's operating businesses are organized and managed separately according to the nature of the aviation-support service provided by its four subsidiaries, maintenance, repairs and overhaul, mining-related activities and water treatment and distribution. This is the basis on which the Group reports its primary segment information. The Group also monitors the revenue and operating results of its associates. Information with respect to these subsidiaries, as well as the Group's associates.

The operations of Group's segments are described as follows:

- In-flight and other catering segment, which is operated by MACS and its subsidiary, MSFI, refers to servicing of meal requirements of certain foreign and domestic passenger airlines at the NAIA and the MDA and of certain non-airline institutional accounts.

- Ground handling and aviation segment, which is operated by MASCORP, refers to both ramp and passenger handling and aviation services to foreign airlines and domestic carriers at 27 airport locations.

- Charter flights segment, which is handled by MAATS, provided international and domestic chartered flights from its base at the General Aviation Area, MDA to any point within the Philippines, through alliances with other helicopter owners. Beginning August 22, 2016, MAATS ceased operating its helicopter charter and is now focused on its Fixed Base Operations (FBO) revenue generating activities.

- Rental and administrative segment, which is primarily operated through MAPDC, pertains to the sub-lease of the MacroAsia Ecozone at NAIA, which MAPDC leases from Manila International Airport Authority (MIAA) with LTP as the anchor locator.

- Mining segment, which pertains to mining-related activities of the Group, refers to expenditures for exploration activities and rendering of exploration-related services.

- Water segment pertains to development (e.g., studies, surveys) and construction of water-treatment facilities activities, which are undertaken by MAPDC through its subsidiaries (NAWASCOR, SNVRDC, MPRDC, PWBRI, WBSI and its subsidiary, CBRI and BTSI and its subsidiaries, MONAD and NEWS) and ASSC through its subsidiary, SUMMA.

- Associates, which represents the Group's investments in associates that are accounted for using the equity method.

The Group has only one geographic segment. There were no inter-segment sales as of March 31, 2020. Segment assets include the operating assets used by a segment and consist principally of cash and cash equivalents, receivables, inventories, other current assets, and property, plant and equipment, net investment in the lease, and right-of-use assets, net of allowances, depreciation and amortization and any impairment in value.

Segment liabilities include all operating liabilities and consist principally of notes payable, accounts payable and accrued liabilities, and lease liabilities. Segment assets and liabilities do not include deferred income tax. Segment results pertain to operating income.

Financial information on the Group's business segments as of and for the period ended March 31, 2020 and 2019 are as follows:

*(In Thousand Pesos)*

| | January to March | |
|---|---|---|
| **REVENUE – External** | **2020** | 2019 |
| In-flight and other catering | **639,850** | 447,236 |
| Ground handling and aviation | **626,685** | 473,585 |
| Rental and administrative | **7,273** | 47,720 |
| Aviation training fee | **10,364** | |
| Charter flights | **-** | - |
| Water | **83,640** | 84,304 |
| Exploratory drilling fees | **3,486** | |
| Total segment and consolidated revenue | **1,371,298** | 1,052,845 |
| | | |
| **RESULT – Segment result** | | |
| In-flight and other catering services | **49,135** | 90,937 |
| Ground handling and aviation | **3,384** | 39,324 |
| Rental and administrative services | **(15,999)** | (10,500) |
| Charter flights service | **1,127** | 1,135 |
| Aviation training | **(4,531)** | - |
| Water | **5,198** | (5,939) |
| Mining | **(4,454)** | (5,020) |
| Share in net income (loss) of associates | **78,012** | 231,415 |
| Total segment results | **111,870** | 341,352 |
| Unallocated corporate income (expenses) and eliminations | **(67,169)** | (93,082) |
| Provision for income tax | **(27,123)** | (33,321) |
| Consolidated net income (loss) | **17,579** | 214,949 |

*(In Thousand Pesos)*

| | Mar-20 | Dec-19 |
|---|---|---|
| OTHER INFORMATION | | |
| **Segment assets** | | |
| In-flight and other catering services | **2,575,550** | 2,550,289 |
| Ground handling and aviation | **1,034,478** | 903,631 |
| Rental and administrative services | **2,935,480** | 2,935,738 |
| Charter flights service | **37,976** | 37,733 |
| Investment in associates | **2,217,760** | 3,087,533 |
| Aviation training | **247,135** | 260,290 |
| Water | **1,759,435** | 1,699,326 |
| Mining | **28,242** | 32,494 |
| Total segment assets | **10,836,056** | 11,507,034 |
| Investment property | **143,852** | 143,852 |
| Deferred tax asset | **45,748** | 51,898 |
| Unallocated corporate assets and eliminations | **1,367,015** | 785,185 |
| Consolidated total assets | **12,392,672** | 12,487,969 |
| | | |
| **Segment liabilities** | | |
| In-flight and other catering services | **1,676,462** | 1,691,551 |
| Ground handling and aviation | **1,417,639** | 1,287,995 |
| Rental and administrative services | **2,809,177** | 2,794,299 |
| Aviation training | **244,114** | 253158224 |
| Charter flights service | **10,669** | 11,163 |
| Water | **1,412,822** | 1,353,531 |
| Mining | **23,697** | 24,278 |
| Total segment liabilities | **7,594,580** | **7,415,974** |
| Deferred tax liabilities | **139,503** | 142,800 |
| Unallocated corporate liabilities and eliminations | **(1,785,770)** | (1,908,649) |
| Consolidated total liabilities | **5,948,313** | **5,650,126** |

| **Capital expenditures** | January to March | |
|---|---|---|
| | **2020** | 2019 |
| In-flight catering services | **20,713** | 39,443 |
| Ground handling and aviation | **5,213** | 96,204 |
| Rental and administrative services | **7,067** | 706 |
| Charter flights service | **-** | - |
| Aviation training | **268** | - |
| Water | **57,284** | 31,840 |
| Mining | **441** | 883 |
| Unallocated corporate capital expenditures | **-1,396** | 20,880 |
| Total | **89,590** | 189,956 |

| | | |
|---|---|---|
| **Depreciation & amortization** | | |
| In-flight catering services | **22,640** | 11,987 |
| Ground handling and aviation | **19,648** | 15,878 |
| Rental and administrative services | **12,810** | 1,225 |
| Charter flights service | **-** | **-** |
| Aviation training | **3,424** | **-** |
| Water-related projects | **14,724** | 17,768 |
| Mining | **1,190** | 1,391 |
| Unallocated corporate depreciation and amortization | **3,804** | 1,831 |
| Total | **78,241** | 50,081 |

## 5. Basic/Diluted Earnings per Share

Basic/diluted earnings per share are computed as follows:

| *(In thousand pesos except earnings per share)* | **Mar-20** | **Dec-19** | **Mar-19** |
|---|---|---|---|
| Net income attributable to equity holders of the parent | 9,742 | 1,129,066 | 208,223,771 |
| Divided by weighted average number of common shares | **1,575,799** | 1,584,023 | 1,591,352 |
| | **0.01** | 0.71 | 0.13 |

## 6. Equity

a. Restriction on retained earnings of the Group

The retained earnings as of March 31 is restricted for dividend declaration for the portion equivalent to the following:

- Undistributed earnings of subsidiaries and equity in net earnings of associates amounting to ₱2,603.9 million and ₱1,645.0 million as of March 31, 2020 and December 31, 2019, respectively.
- Cost of treasury shares amounting to ₱459.4 million and ₱426.8 million as of March 31, 2020 and December 31, 2019,respectively.
- Deferred income tax assets amounting to ₱45.8 million and ₱51.9 million as of March 31, 2020 and December 31, 2019, respectively.

b. Appropriation of retained earnings
As of December 31, 2016 and 2017, the Company's retained earnings included appropriated amounts of ₱393.1 million and ₱300.0 million for the mining development projects and water projects, respectively. These were originally approved for appropriation in 2011.

On March 22, 2018, the Company's BOD approved the reversal of the appropriation for mining development projects amounting to ₱393.1 million. The appropriation for water projects is retained for the next few years as aligned with the Groupwide water related projects ranging two to three years.

On December 12, 2019, the Company's BOD approved the reversal of the appropriation for water projects amounting to ₱300.0 million and appropriation of ₱ ₱850.0 million for various projects to be undertaken by the Group.

On December 6, 2019, the MACS' BOD approved the release from appropriation of the ₱100.0 million appropriated in 2017 and 2016 for construction of an offsite commissary.

Further, the BOD approved the additional appropriation of ₱210.0 million for the construction of another offsite commissary, catering trucks, and facility equipment

upgrade in the next two years of the Company.

On November 28, 2018, the MACS' BOD approved the additional appropriation of ₱55.0 million for the construction of the offsite commissary and equipment upgrade of the Company in the following year.

On March 20, 2018, MASCORP's BOD approved to appropriate another ₱50.0 million of the unappropriated retained earnings for business expansion program which is expected to run for three years effective December 31, 2017.

On December 6, 2018, MASCORP's BOD approved the reversal of appropriated retained earnings of ₱30.0 million made on June 21, 2012 for business expansion. Further, the Company's BOD approved additional appropriation of ₱65.0 million of the unappropriated earnings for business expansion program which is expected to run for three years effective December 31, 2018.

On March 7, 2019 and July 11, 2019, the MASCORP's BOD approved the additional appropriation of ₱50.0 million and ₱100.0 million, respectively of the unappropriated earnings for purposes of various investments to expand business of the Company which is expected to run for three years effective December 31, 2019.

c. Cash dividends declared by the Parent Company from the unappropriated retained earnings are as follows:

| Date Approved | Per share | Stockholder of Record Date | Date of Payment |
|---|---|---|---|
| March 6, 2020 | ₱0.250* | April 3, 2020 | May 4, 2020 |
| March 14, 2019 | ₱0.200 | April 12, 2019 | May 10, 2019 |
| December 13, 2017 | ₱0.140 | January 5, 2018 | January 31, 2018 |
| December 14, 2016 | ₱0.080 | January 6, 2017 | February 1, 2017 |
| December 14, 2015 | ₱0.075 | January 4, 2016 | January 28, 2016 |

* During the Special Board Meeting of the Corporation held on April 30, 2020, the Board of Directors approved the amendment of the Php 0.25/share cash dividends declared on March 6, 2020 to shareholders of record as of April 3, 2020 payable on May 4, 2020 to 20% stock dividends equivalent to 315,159,739 shares with any resulting fractional shares to be dropped, to be paid out from the unrestricted retained earnings of the Corporation as of December 31, 2019. The change was in consideration of the COVID-19 pandemic impact to the aviation business units. The stock dividend declaration is subject to the approval of the shareholders in its Annual Shareholders' Meeting to be held on July 17, 2020.

d. Treasury stock

On July 16, 2010, the BOD approved the Share Buyback Program (the Program) involving a total cash outlay of ₱50.0 million for the repurchase of the outstanding common shares of the Parent Company from the market, using the trading facilities of the Philippine Stock Exchange (PSE). The Program will not involve any active or

widespread solicitation for stockholders to sell. Repurchase of shares of stock will be done during the period of the Program at such prices perceived by the Parent Company to be lower than the inherent value of the share. The Program will run until the ₱50.0 million authorized cash outlay is fully utilized or until such time that the BOD may direct, subject to appropriate disclosures to the PSE and the SEC.

On June 15 2017, the Board of Directors of MacroAsia Corporation approved to allot ₱210.0 million to buy back shares of MacroAsia Corporation at market price. The mechanics of which shall be similar to the ₱50.0 million buyback program implemented in 2010. The Program commenced on June 20, 2017 and will run until the ₱210.0 million authorized cash outlay is fully utilized, or until such time that the Board of Directors of MacroAsia may direct, subject to appropriate disclosures to the PSE and the SEC.

On March 14, 2019, the Board of Directors approved ₱200.0 million additional funding to the 2017 Share Buyback Program.

On March 6, 2020, the Board of Directors approved another ₱200.0 million additional funding to the 2017 Share Buyback Program.

As of March 31, 2020, the Company has reacquired 42,347,600 shares for ₱459,418,212.

Movement in the Parent Company's outstanding shares follows:

| | Issued | Treasury | Outstanding |
|---|---|---|---|
| As of December 31, 2009 | 1,250,000,000 | – | 1,250,000,000 |
| Acquisition of treasury shares in 2010 | – | (2,985,000) | (2,985,000) |
| As of December 31, 2010 | 1,250,000,000 | (2,985,000) | 1,247,015,000 |
| Acquisition of treasury shares in 2011 | – | (7,486,000) | (7,486,000) |
| As of December 31, 2011 | 1,250,000,000 | (10,471,000) | 1,239,529,000 |
| Acquisition of treasury shares in 2012 | – | (6,125,000) | (6,125,000) |
| As of December 31, 2014, 2015 and 2016 | 1,250,000,000 | (16,596,000) | 1,233,404,000 |
| Acquisition of treasury shares in 2017 | – | (6,249,600) | (6,249,600) |
| As of December 31, 2017 | 1,250,000,000 | (22,845,600) | 1,227,154,400 |
| Stock dividend declaration | 368,146,293 | – | 368,146,293 |
| Acquisition of treasury shares in 2018 | – | (3,949,100) | (3,949,100) |
| As of December 31, 2018 | 1,618,146,293 | (26,794,700) | 1,591,351,593 |
| Acquisition of treasury shares in 2019 | – | (12,845,600) | (12,845,600) |
| As of December 31, 2019 | 1,618,146,293 | (39,640,300) | 1,578,505,993 |
| Acquisition of treasury shares in 2020 | – | (2,707,300) | (2,707,300) |
| As of March 31, 2020 | 1,618,146,293 | (42,347,600) | 1,575,798,693 |

e. Track record of registration of securities

On August 30, 1974, the SEC authorized the registration and licensing of the Parent Company's securities with total par value of ₱20.0 million divided into 2,000,000,000 shares with a par value of ₱0.01 per share.

On December 10, 1993, the Company amended its articles of incorporation, increasing the par value of its shares from ₱0.01 per share to ₱1.00 per share.

On March 22, 2000, the Philippine Stock Exchange, Inc. authorized to list the Parent Company's 750,000,000 shares, with a par value of ₱1.00 per share and 500,000,000 warrants divided into the following:

i.

i. 250,000,000 shares to cover the 1:4 stock rights offering to stockholders of record as of April 12, 2000 at an offer price of ₱2.00 per share;

ii. 500,000,000 warrants to cover the 2:1 warrants offering attached to and detachable from the rights shares at a subscription price of ₱0.10 per warrant; and

iii. 500,000,000 shares to cover the underlying shares of warrants at an exercise price of ₱6.00 per share. Actual listing of the underlying common shares of the warrants shall take effect upon the exercise of the warrants.

iv. All warrants expired in 2005.

MAC's shares are listed and traded at the Philippine Stock Exchange, Inc. and it has approximately 845 and 845 holders of its common equity as of March 31, 2020 and December 31, 2019, respectively.

f. Cash dividends received by non-controlling interest are as follows:

| Entity | Date Declared | Amount | Per share | Dividends attributable to non-controlling interest (SATS) |
|---|---|---|---|---|
| MACS | December 27, 2019 | ₱80,000,000 | ₱64.0 | ₱26,400,000 |
| MACS | December 6, 2018 | 75,000,000 | 60.0 | 24,750,000 |
| MACS | November 28, 2017 | 70,000,000 | 56.0 | 23,100,000 |
| MACS | December 8, 2016 | 50,000,000 | 40.0 | 16,500,000 |

g. Acquisition of non-controlling interest

The sale of 250,001 shares representing 20% of the total issued and outstanding capital stock of MASCORP to Konoike amounting to ₱1.1 billion (JPY 2.3 billion) was accounted for as a sale of share in subsidiary without loss of control, thus an equity transaction. The excess of consideration received over the carrying amount of the non-controlling interests amounted to ₱886.8 million, which is presented as part of "Other reserves" in the equity section of the consolidated balance sheets.

In December 2015, MAPDC entered into a share purchase agreement with a third party wherein WBSI shall be owned by MAPDC and the third party at 51% and 49%, respectively. The transaction was accounted for as a sale of share in subsidiary without loss of control; thus an equity transaction. The excess of consideration received over the Company amount of the non-controlling interests amounted to ₱24.3 million, which is presented as part of "Other reserves" in the equity section of the balance sheets.

In July 2015, the Company signed a Sale and Purchase Agreement with SATS to sell 162,500 shares representing 13% of the total issued and outstanding capital stock of MACS. After the sale, MACS is 33% owned by SATS. The excess of consideration received over the carrying amount of the non-controlling interests amounted to ₱119.0 million, which is presented as part of "Other reserves" in the equity section of the balance sheets.

## *7. Capital Management*

The primary objective of the Group's capital management is to ensure that it maintains a strong credit and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders and repurchase or issue new shares. The Group is not subject to externally imposed capital requirements as of March 31, 2020 and December 31, 2019. Further, no changes were made in the objectives, policies or processes for the period ended December 31, 2019 and for the three-month period ended March 31, 2020.

The Group monitors capital vis-à-vis after tax profit. The Group also monitors the equity ratio. Equity considered by the Group is total equity in the consolidated balance sheets, excluding items arising from other comprehensive income. The return on equity ratio is computed by dividing the after tax profit by total capital.

The following summarizes the total capital considered by the Group and the computation of the return on equity:

| | **31-Mar-20** | 31-Dec-19 | **31-Mar-19** |
|---|---|---|---|
| Capital stock | **1,618,146,293** | 1,618,146,293 | 1,618,146,293 |
| Additional paid in capital | **281,437,118** | 281,437,118 | 281,437,118 |
| Treasury shares | **(459,418,212)** | (426,826,835) | (176,215,402) |
| Retained earnings | **3,697,067,826** | 4,081,275,526 | 3,418,440,647 |
| | **5,137,233,025** | 5,554,032,102 | 5,141,808,656 |
| Net income after tax | **17,579,088** | 1,194,026,073 | 214,948,523 |
| Return on equity | **0.34%** | 21.50% | 4.18% |

## *8. Financial Risk Management Objectives and Policies*

**Risk Management Structure**

*Audit Committee*

The Committee performs oversight role on financial management functions especially in the areas of managing credit, market, liquidity, operational, legal and other risks of the Group.

*Risk Management Committee*

The Committee assists the BOD in identifying and assessing the various risks to which the Group is exposed to. The Committee also ensures that the Group's management has implemented a process to identify, manage and report on the risks that might prevent the Group from achieving its strategic objectives.

*Board of Directors*

The BOD is responsible for the overall risk management approach and for approval of risk strategies and principles of the Group.

**Financial Risk Management**

The Group's principal financial instruments is comprised of cash and cash equivalents and some external liabilities which were availed of primarily to fund operations. The Group has other financial assets and financial liabilities such as trade receivables and payables which arise directly from operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, interest rate risk and liquidity risk. The BOD reviews and approves policies for managing these risks and they are summarized as follows:

*Foreign currency risk*

The Group's transactional currency exposure arises from sales in currencies other than its functional currency and retaining its cash substantially in currency other than its functional currency. Approximately 71% of MACS' and 14% of MASCORP's revenue are denominated in US$ as of March 31, 2020. In addition, the Group closely monitors the foreign exchange rates fluctuations and regularly assesses the impact of future foreign exchange movements on its operations.

The following table demonstrates the impact on the Group's income before income tax and equity of reasonably possible changes in the US$, with all other variables held constant:

| *(in millions)* | Movement in US$ | Increase (decrease) on Income/Loss before Income Tax US$ |
|---|---|---|
| 2020 | Increase of 5% | 17.5 |
| | Decrease of 5% | (17.5) |
| 2019 | Increase of 5% | 21.2 |
| | Decrease of 5% | (21.2) |
| 2018 | Increase of 5% | 18.0 |
| | Decrease of 5% | (18.0) |

*Credit and concentration risk*

Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations under a financial instrument or customer contract, leading to a financial loss. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

The Group trades only with related parties and duly evaluated and approved creditworthy third parties. It is the Group's policy that all customers and counterparties that wish to trade with the Group, particularly on credit terms, are subjected to credit verification procedures. In addition, receivable balances are monitored on a continuous basis. The Group has major concentration of credit risk given that the majority of the Group's cash and cash equivalents are deposited in the local affiliated bank and major customers of MASCORP and MSISC include PAL and APC. As of March 31, 2020 and December 31 2019, the related party which comprise the significant portion of the Group's total receivable has a negative working capital and has been incurring losses resulting to a deficit. Management assessed and believes that the carrying amount of the trade receivable from related parties are collectible and that the Group is not exposed to any significant risk since these companies are related parties. Further, the local affiliated bank is one of the country's reputable banks.

With respect to credit risk arising from financial assets, the Group's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying values of these instruments. The Group only deals with financial institutions that have been approved by the BOD of the Company and those of its subsidiaries. The Group does not require any collateral and other credit enhancements. Consequently, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECL). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance).

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

a. *Probability of default (PD)* is an estimate of the likelihood of default over a given time horizon.
*b.* *Exposure at default (EAD)* is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date.
*c.* *Loss given default (LGD)* is an estimate of the loss arising in the case where a default occurs at a given time.

For cash in bank, the Group applies the low credit risk simplification where the Group measures the ECLs on a 12-month basis based on the probability of default and loss given default which are publicly available. The Group also evaluates the credit rating of the bank and other financial institutions to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

For trade and other receivables, an impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- Gross Domestic Product (GDP) growth rates
- Unemployment rates
- Inflation rates
- Interest rates
- Foreign currency exchange rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Based on the Group's credit risk experience, expected credit loss rate increases as the age of the receivables increase.

The tables below show the credit quality of the Group's financial assets and an aging analysis of past due but not impaired financial assets.

| March 31, 2020 | Current | Neither past due nor impaired | | | | ECL | Total |
|---|---|---|---|---|---|---|---|
| | | Less than 30 days | 31 to 60 days | 61 to 90 days | Over 90 days | | |
| *Loans and receivable:* | | | | | | | |
| Cash in bank and cash equivalents* | 733,078,150 | - | - | - | - | - | 733,078,150 |
| Receivables: | | | | | | | |
| Trade | 1,647,541,348 | 349,874,070 | 72,925,796 | 267,222,054 | 646,427,324 | (15,894,635) | 2,968,095,957 |
| Dividends receivable | - | - | - | - | - | - | - |
| Due from officers and employees | 25,380,064 | - | - | - | - | - | 25,380,064 |
| Interest receivable | 2,279,004 | - | - | - | - | - | 2,279,004 |
| Other receivables | 121,822,391 | - | - | - | - | - | 121,822,391 |
| Non-Trade | 30,150,496 | - | - | - | - | - | 30,150,496 |
| Deposits | 42,900,711 | - | - | - | - | - | 42,900,711 |
| Restricted cash investment | 7,181,182 | - | - | - | - | - | 7,181,182 |
| Contract Assets | 20,815,397 | - | - | - | - | - | 20,815,397.29 |
| Installment receivables | 52,097,618 | - | - | - | - | - | 52,097,618.19 |
| Finance lease receivable | 20,263,478 | - | - | - | - | - | 20,263,478.01 |
| | 2,703,509,840 | 349,874,070 | 72,925,796 | 267,222,054 | 646,427,324 | (15,894,635) | 4,024,064,449 |

**Exclusive of cash on hand amounting to P4,113,647 as of March 31, 2020.*

| December 31, 2019 | Current | Past due | | | | ECL | Total, net of ECL |
|---|---|---|---|---|---|---|---|
| | | Les than 30 Days | 31 to 60 Days | 61 to 90 Days | Over 90 Days | | |
| *Financial assets:* | | | | | | | |
| Cash in bank | 1,209,362,783 | - | - | - | - | - | 1,209,362,783 |
| Trade receivables | 1,001,692,174 | 212,720,681 | 44,338,310 | 162,468,906 | 408,549,759 | (15,527,033) | 1,814,242,797 |
| Dividends receivable | - | - | - | - | - | - | 0 |
| Due from officers and employees | 20,943,058 | - | - | - | - | - | 20,943,058 |
| Interest receivable | 2,279,004 | - | - | - | - | - | 2,279,004 |
| Other receivables | 80,983,439 | - | - | - | - | - | 80,983,439 |
| Deposits | 42,714,608 | - | - | - | - | - | 42,714,608 |
| Restricted cash investment | 7,181,182 | - | - | - | - | - | 7,181,182 |
| Contract assets | 20,815,397 | - | - | - | - | - | 20,815,397 |
| Installment receivables | 60,515,346 | - | - | - | - | - | 60,515,346 |
| Finance lease receivable | 14,153,823 | - | - | - | - | - | 14,153,823 |
| | 2,460,640,814 | 212,720,681 | 44,338,310 | 162,468,906 | 408,549,759 | -15,527,033 | 3,273,191,437 |

*Impairment assessment*

The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Group assesses impairment on an individual account basis for all stage 3 assets, regardless of the class of financial assets. Stage 1 and stage 2 assets are assessed on a collective basis.

Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention even at interim.

*Credit quality per class of financial assets*

The credit quality of financial assets is managed by the Group using internal credit ratings. The Group considers its cash and cash equivalents (including restricted cash investment) as high grade since theseare placed in financial institutions of high credit standing. Accordingly, ECLs relating to cash and cash equivalents rounds to zero. The Goup considers its dividend receivables as high grade as these are due from an associate who has strong capacity to pay; thus LGD is considered low and no ECL is recognized. The Group considers its advances to officers and employees as standard grade as collectability is assured through

salary deduction. Accordingly, the LGD is considered low; thus, no ECLs are recognized on the advances to employees.

*Interest rate risk*

The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's notes payable with floating interest rates. The Group has a practice of keeping its interest-bearing liabilities to third parties within a threshold that can be serviced through operating cash flows.

Management closely monitors the behavior of interest rates to ensure that cash flow interest rate risk is kept within management's tolerable level. Finally, interest-bearing liabilities are ordinarily incurred on a short-term basis only.

The following table sets forth the estimated change in the Group's income before income tax (through the impact on the variable rate borrowings) due to parallel challenges in the interest rate curve in terms of basis points (bp) as of March 31, 2020, with all other variables held constant. There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

| | Increase (decrease) in income before income tax | Increase (decrease) in income before income tax |
|---|---|---|
| | **March 31, 2020** | December 31, 2019 |
| | *(in millions)* | |
| 100 bp rise | **(₱18.22)** | (₱14.51) |
| 100 bp fall | **18.22** | 14.51 |
| 50 bp rise | **(9.11)** | (7.26) |
| 50 bp fall | **9.11** | 7.26 |

*Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its obligations when they fall due under normal and stress circumstances. To limit this risk, management manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows which could be used to secure additional funding if required.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of operating cash flows and short-term bank loans.

In addition, MASCORP has an omnibus line of credit for ₱100.0 million (or USD equivalent) and bills purchase line for ₱10.0 million. The omnibus line of credit is available by way of short-term promissory notes with interest, while the bills purchase line is available for settlement of the Company's obligation through the bank.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual and undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. The table also analyses the maturity profile of the Group's financial assets held for managing liquidity in order to provide complete view of the Group's contractual commitments and liquidity.

| As of March 31, 2020 | < 1 year | >1-2 years | >2-3 years | >5 years | Total |
|---|---|---|---|---|---|
| Loans and receivables: | | | | | |
| Cash and cash equivalents | 737,191,797 | - | - | - | 737,191,797 |
| Receivables: | | | | | |
| Trade | 2,968,095,957 | - | - | - | 2,968,095,957 |
| Dividends receivable | - | - | - | - | - |
| Interest receivable | 2,279,004 | - | - | - | 2,279,004 |
| Installment receivable | - | 13,892,698 | 20,839,047.79 | 17,365,873 | 52,097,618 |
| Finance lease receivable | 380,566 | 1,433,133 | 2,354,091 | 16,095,688 | 20,263,478 |
| Deposits | - | - | - | 42,900,711 | 42,900,711 |
| | 3,707,947,324 | 15,325,830 | 23,193,139 | 76,362,272 | 3,822,828,565 |
| Other financial liabilities: | | | | | |
| Accounts payable and accrued liabilities | 1,667,628,611 | - | - | - | 1,667,628,611 |
| Notes Payable | 530,132,052 | 183,038,730 | 183,518,730 | 345,204,687 | 1,241,894,199 |
| Long-term debts | 575,000,000 | - | - | - | 575,000,000 |
| Dividends payable | 429,877,693 | - | - | - | 429,877,693 |
| Deposit | - | - | - | 19,121,338 | 19,121,338 |
| | 3,202,638,356 | 183,038,730 | 183,518,730 | 364,326,025 | 3,933,521,841 |
| Liquidity position | 505,308,968 | (167,712,900) | (160,325,591) | (287,963,753) | (110,693,276) |

| As of Dec. 31, 2019 | < 1 year | >1-2 years | >2-3 years | >5 years | Total |
|---|---|---|---|---|---|
| Loans and receivables: | | | | | |
| Cash and cash equivalents | 1,219,639,428 | - | - | - | 1,219,639,428 |
| Receivables: | | | | | |
| Trade | 1,814,242,797 | - | - | - | 1,814,242,797 |
| Interest receivable | 2,279,004 | - | - | - | 2,279,004 |
| Installment receivable* | - | 16,137,425 | 24,206,139 | 20,171,782 | 60,515,346 |
| Finance lease receivable** | 399,917 | 1,506,004 | 2,473,791 | 16,914,113 | 21,293,825 |
| Deposits*** | - | - | - | 42,714,608 | 42,714,608 |
| | 3,036,561,146 | 17,643,429 | 26,679,930 | 79,800,503 | 3,160,685,008 |
| Other financial liabilities: | | | | | |
| Accounts payable and accrued liabilities**** | 1,593,157,424 | - | - | - | 1,593,157,424 |
| Notes payable***** | 575,000,000 | - | - | - | 575,000,000 |
| Long-term debts | 482,536,067 | 159,114,417 | 175,781,084 | 449,503,997 | 1,266,935,565 |
| Lease liabilities | 24,688,033 | 21,423,049 | 25,821,841 | 1,651,491,211 | 1,723,424,134 |
| Dividends payable | 35,928,020 | - | - | - | 35,928,020 |
| Deposit****** | - | - | - | 16,086,997 | 16,086,997 |
| | 2,711,309,544 | 180,537,466 | 201,602,925 | 2,117,082,205 | 5,210,532,140 |
| Liquidity position | 325,251,602 | (162,894,037) | (174,922,995) | (2,037,281,702) | (2,049,847,132) |

**Gross of unearned interest income of P912,267. The current portion amounting to P12,172,159 is presented under trade*

***Gross of unearned interest income of P6,109,655 exclusive of P541,128 included under trade.*

**** Gross of unearned interest income of P19,514,515. Presented as part of "Other noncurrent assets".*

***** Exclusive of nonfinancial liabilities of P157,756,496.*

****** Inclusive of interest to maturity of P102,830,011.*

******* Inclusive of accretion of interest of P9,933,244. Presented as part of "Other noncurrent assets".*

## 9. *Fair Value of Financial Instruments*

The following is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are reflected in the consolidated financial statements as of March 31, 2020 and December 31, 2019:

| As at 31 March 2020 | | | Fair value measurements using | | |
|---|---|---|---|---|---|
| | Date of valuation | Carrying value | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Assets measures at fair value:** | | | | | |
| Equity instruments designated at FVTOCI | March 31, 2020 | **76,155,800** | **-** | **76,155,800** | **-** |
| **Assets for which fair value is disclosed:** | | | | | |
| Installment receivables | March 31, 2020 | **52,097,618** | **-** | **-** | **52,097,618** |
| Finance lease receivable | | **20,263,478** | **-** | **-** | **20,263,478** |
| Investment property | | **143,852,303** | **-** | **-** | **143,852,303** |
| Deposits | | **42,900,711** | **-** | **-** | **42,900,711** |
| **Liabilities for which fair value is disclosed** | | | | | |
| Long term debts | March 31, 2020 | **1,241,894,199** | **-** | **1,241,894,199** | **-** |
| Deposits | | **19,121,338** | **-** | **-** | **19,121,338** |

| As at 31 December 2019 | | | Fair value measurements using | | |
|---|---|---|---|---|---|
| | Date of valuation | Carrying value | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Assets measures at fair value:** | | | | | |
| Equity instruments designated at FVTOCI | December 31, 2019 | 76,138,300 | - | 76,138,300 | - |
| **Assets for which fair value is disclosed:** | | | | | |
| Installment receivables | December 31, 2019 | 60,515,346 | - | - | 60,515,346 |
| Finance lease receivable | | 14,153,823 | - | - | 14,153,823 |
| Investment property | | 143,852,303 | - | - | 261,096,000 |
| Deposits | | 42,714,608 | - | - | 42,714,608 |
| **Liabilities for which fair value is disclosed** | | | | | |
| Deposits | December 31, 2019 | 16,086,997 | - | - | 16,086,997 |
| Long term debts | | 1,266,935,565 | - | 1,266,935,565 | - |

The Group determined that its investment in golf club shares is categorized at Level 2 in the fair value hierarchy. The Group assessed that, while there is a market for these securities, transactions are infrequent.

There have been no transfers between Level 1 and 2 in 2020 and 2019.

*Cash and cash equivalents, receivables, accounts payables, accrued liabilities and notes payable*

The carrying values of cash and cash equivalents, receivables and accounts payable,accrued liabilities, dividend payables and notes payable approximate their fair value due to their short-term nature.

*Installment receivables and deposits*
The carrying values of installment receivables and deposits are determined based on the present value of expected cash flows discounted at the Group's borrowing rate.

*Dividends payable*
The carrying value of dividends payable approximates its fair value since they are expected to be settled within a short period of time after its declaration.

*Long-term debts*
The carrying value of long-term debts approximate its fair value due to the re-pricing feature of the interest it carries.

*Equity instruments designated at FVTOCI*
The Group's investments in golf club share and other proprietary shares are carried at fair value based on published club share quotes that are publicly available from the local dailies and from the website of club share brokers.

*Investment property*
The Philippine SEC-accredited and independent appraiser used the "Market Data Approach" in valuing the property. The Group has determined that the highest and best use of the property is its current use (i.e., industrial purpose).