COVER SHEET

1 6 8 0 6 3

S.E.C. Registration Number

P R Y C E

C O R P O R A T I O N

(Company's Full Name)

1 7 / F P R Y C E C E N T E R C H I N O

R O C E S A V E N U E M A K A T I C I T Y

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

Jose Ma. C. Ordenes / Earl Christian L. Lerio

Contact Person

(02) 899-4401

Company Telephone Number

1 2 | 3 1

Month *Day*

Fiscal Year

2 0 - I S

FORM TYPE

0 6 | 2 8

Month *Day*

ANNUAL MEETING

Secondary License Type, if Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

356 (as of May 31, 2019)

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

PRYCE CORPORATION
website: www.pryce.com.ph

FT FINANCIAL TIMES statista 1000 High-Growth Companies Asia-Pacific 2018

14 June 2019

SECURITIES AND EXCHANGE COMMISSION
JUN 06 2019
MARKET REGULATION DEPT
4:45

NOTICE OF ANNUAL STOCK HOLDERS' MEETING

To the Stockholders:

Please be notified that the Annual Stockholders' Meeting of the Corporation will be held on Friday, **June 28, 2019**, at the Isabella Ballroom B and C, Makati Shangri-La, Manila, corner Ayala and Makati Avenues, Makati City, at 4:00 p.m. to take up the following

AGENDA

1. Call to Order and Determination of Quorum
2. Approval of Minutes of Previous Meetings
3. President's Report
4. Approval of Annual Report and Audited Financial Statements
5. Ratification of Acts of the Board of Directors and Management
6. Election of Board of Directors
7. Appointment of External Auditors
8. Other Matters
9. Adjournment

For the purpose, stockholders of record as of June 10, 2019 shall be entitled to vote at this meeting.

The Corporation is NOT SOLICITING ANY PROXIES. However, those who cannot attend and wish to send a representative/proxy, please send proxy letter to the Corporate Secretary on or before **June 18, 2019** at the above-indicated address for recording and verification.

By the Chairman.

FELICIANO B. HATUD
Asst. Corporate Secretary

PRO-FORMA

PROXY

The undersigned stockholder hereby nominates, constitutes, and appoints, _____________________________ as his/her/its proxy to attend the 2019 Annual General Meeting of PRYCE CORPORATION to be held on June 28, 2019, 4PM at the Isabela B and C Ballroom, Makati Shangri-La Manila, Ayala Avenue corner Makati Avenue, Makati City, and any adjournment or postponement thereof, and to vote all the shares of said stockholder registered in his/her/its name in the books of Pryce Corporation on record date of June 10, 2019.

Should any other matter properly come before the meeting which may require the vote of the stockholders, the undersigned stockholder hereby confers full authority upon the designated proxy to vote in the manner he/ she/ it may deem fit for said stockholder.

This proxy shall be valid for the above meeting only, or any adjournments or postponements thereof, unless earlier withdrawn by the undersigned stockholder in writing delivered to the Corporate Secretary. Furthermore, this Proxy revokes and supersedes any proxy or proxies the undersigned may have previously executed.

____
Printed Name of Stockholder

____
Signature of Stockholder/ Authorized Signatory

____
Date

Pryce Corporation is not soliciting proxies. However, this pro-forma general proxy form is herein provided for those stockholders who wish to appoint a proxy for the meeting. Pursuant to the By-Laws of the Corporation, a written proxy should be submitted to the Corporate Secretary no less than ten (10) days prior to the date of the meeting, or no later than June 18, 2019. Notarization of proxy is not required. The duly accomplished form may be subject to validation process by the Corporate Secretary.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
JUN 06 2019
MARKET REGULATION DEPT.
BY:
TIME:

1. Check the appropriate box:
   [ ] Preliminary Information Statement
   [√] Definitive Information Statement

2. Name of Registrant as specified in its charter: **PRYCE CORPORATION**

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

4. SEC Identification Number: **168063**

5. BIR Tax Identification Number: **000-065-142-000**

6. Address of principal office:
   17th Floor PRYCE CENTER
   1179 Chino Roces Avenue
   corner Bagtikan Street
   Makati City 1203

7. Registrant's telephone number, including area code: **(+632) 899-4401**

8. Date, time and place of the meeting of security holders:
   Date: **June 28, 2019**
   Time: **4 o'clock in the afternoon**
   Place: **Isabela B and C Ballroom, Makati Shangri-La, Ayala Avenue corner Makati Avenue, Makati City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders:
   June 14, 2019

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA as of May 31, 2019:

Title of Each Class	Number of Shares of Common Stock Outstanding
Common	2,013,226,500
Treasury	11,273,500

11. Are any or all of registrant's securities listed in a Stock Exchange? Yes [√] No []

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
    Philippine Stock Exchange – Common Shares

PRYCE CORPORATION
INFORMATION STATEMENT

This Information Statement is dated June 14, 2019 and is being furnished to stockholders of record of Pryce Corporation as of June 10, 2019 in connection with the Annual Stockholders' Meeting on June 28, 2019.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

GENERAL INFORMATION

Date, time and place of meeting of security holders

The Annual Stockholders' Meeting of Pryce Corporation (the "Company") for the current year (2018-2019) will be held on June 28, 2019 at 4 o' clock in the afternoon at the Isabela B and C Ballroom, Makati Shangri-La, Ayala Avenue corner and Makati Avenue, Makati City.[1] The complete mailing address of the registrant is:

PRYCE CORPORATION
17th Floor Pryce Center
1179 Chino Roces Avenue corner Bagtikan Street
Makati City

The information statement will first be sent to security holders approximately on June 14, 2019.

Dissenters' Right of Appraisal

A stockholder has a right to dissent and demand payment of the fair market value of his shares: (i) in case any amendment to the articles of incorporation 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, or of extending or shortening the term of corporate existence; (ii) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; (iii) in case of merger or consolidation; and, (iv) in case of an investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized under Section 42 of the Corporation Code.

There are no matters or proposed corporate actions that may give rise to a possible exercise by security holders of their appraisal rights. Should an action which may give rise to the right of appraisal be proposed at any time after this information statement is sent or at the meeting, any stockholder who *voted against* the proposed corporate action may exercise the right of appraisal by making a written demand within

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1 Per the Company's by-laws, stockholders' meetings shall be held in the principal office of the corporation or at any place designated by the Board in the city or municipality where the principal office of the Company is located. For purposes of Section 51 of the Corporation Code and Rule 20 of the Rules and Regulations implementing the Securities Regulation Code on the place of stockholders' meetings, Metro Manila is considered a city or municipality.

thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares 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. Failure on the part of the stockholder to make the demand within such period shall be deemed a waiver of the appraisal right. Upon payment to the stockholder, the stockholder shall transfer his shares to the Corporation. No payment however shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment. Within ten (10) days after demanding payment for his shares, the dissenting stockholder shall submit his certificates of stock to the Corporation for notation that the shares represented are dissenting shares. All other matters respecting a stockholder's right of appraisal shall be governed by Title X of the Corporation Code.

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

Other than election to office, no person who has been director or executive officer of the Company at any time since the beginning of the last fiscal year, or who is a nominee for election as director, or who is an associate of any of the foregoing, has a direct or indirect substantial interest, by security holdings or otherwise in any matter to be acted upon.

No Director has informed the Company of his intention to oppose any action to be acted upon.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

The Company has 2,013,226,500 subscribed and outstanding common shares (net of treasury shares) as of May 31, 2019. Every stockholder shall be entitled to one vote for each share of stock held as of the record date.

All stockholders of record as of June 10, 2019 are entitled to notice of and to vote at the Company's Annual Stockholders' Meeting.

With respect to the election of directors, a stockholder, in person or by proxy, may vote such number of shares for as many persons as there are directors to be elected or he may accumulate 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 by a stockholder shall not exceed the total number of shares owned by him multiplied by the whole number of directors to be elected. There are no conditions precedent to the exercise of the cumulative voting rights. The Company is not soliciting discretionary authority to cumulate votes.

Security Ownership of Certain Record and Beneficial Owners (as of May 31, 2019)

Based on the records of the Company's Stock Transfer Agent, BDO Unibank, Inc. (Trust Banking Group), the

Company knows of no other person who is directly or indirectly the record and/or beneficial owner of more than 5% of the Company's voting securities as of May 31, 2019, except as set forth hereafter:

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner[2]	Citizenship	No. of Shares Held	Percent to Total of Class
Common	Guild Securities, Inc. 1215, Tower I Exchange Plaza, Makati City	Various[3]	Filipino	1,017,140,468	50.523%
	PCD Nominee Corporation 37/F Tower I, the Enterprise Center, 6766 Ayala Avenue corner Paseo de Roxas, Makati City	Various[4]	Filipino	565,261,942	28.113%
		Josefina Multi-Ventures Corporation[5] 17th Floor Pryce Center, 1179 Chino Roces Avenue, Makati City Client of PDTC Participant	Filipino	108,614,512	5.395%
	Hinundayan Holdings Corporation 17th Floor Pryce Center, 1179 Chino Roces Avenue, Makati City Affiliate of the Issuer	Hinundayan Holdings Corporation is also the beneficial owner[6]	Filipino	160,708,000	7.983%
	PCD Nominee Corp. (Non-	Various[7]	Non-Filipino	94,055 ,952	4.672%

2 The Company knows of no right of any owner, director, or officer herein named to acquire beneficial ownership of any number of shares within thirty (30) days from the date of this statement or thereafter.

3 Guild Securities, Inc. is a stock brokerage firm and a trading participant in the Philippine Depository and Trust Corporation (PDTC), holding shares for the account of its various clients.

4 PCD Nominee Corporation, a corporation owned by the Philippine Depository and Trust Corporation (PDTC), acts as the legal owner of all shares lodged in the PDTC. The beneficial owners are the PDTC participants and their clients. The Company knows of no other single participant who has beneficial ownership of more than 5% of the Company's shares other than as stated above.

5 The Board of Directors of Josefina Multi-Ventures Corp. has the power to decide how its shares will be voted and has authorized Mr. Salvador P. Escaño to vote the shares of Josefina Multi-Ventures Corp.

6 The Board of Directors of Hinundayan Holdings Corporation has the power to decide how its shares will be voted and has authorized Mr. Salvador P. Escaño to vote the shares of Hinundayan Holdings Corporation.

7 PCD Nominee Corp. (Non-Filipino), a corporation owned by the PDTC, acts as the legal owner of all shares lodged in the PDTC. The beneficial owners are the PDTC participants and their non-Filipino clients. The Company knows of no other single participant who has beneficial ownership of more than 5% of the Company's shares other than as stated above.

	Filipino) 37/F Tower I, the Enterprise Center, 6766 Ayala Avenue corner Paseo de Roxas, Makati City				
	Josefina Multi-Ventures Corporation 17th Floor Pryce Center, 1179 Chino Roces Avenue, Makati City Affiliate of the Issuer	Josefina Multi-Ventures Corporation is also the beneficial owner[5]	Filipino	24,500,000	1.217%

<u>Security Ownership of Management (as of May 31, 2019)</u>

Title of Class	**Name of Beneficial Owner**	**Amount and Nature of Beneficial Ownership** (see footnote 2)		**Citizenship**	**Percent (%) to Total of Class**
		Direct	Indirect		
Common	Salvador P. Escaño	33,492,660	26,513,250*	Filipino	*2.981%
	Efren A. Palma	100	100,000	Filipino	0.005%
	Ramon R. Torralba, Jr.	218,806	0	Filipino	0.011%
	Xerxes Emmanuel F. Escaño	0	26,513,250**	Filipino	**1.317%
	Ray W. Jovanovich	0	1,000	American	0.000%
	Roland Joey R. de Lara	100	0	Filipino	0.000%
	Arnold L. Barba	0	3,100	Filipino	0.000%
	Simeon S. Umandal	950	0	Filipino	0.000%
	Sonito N. Mole	0	0	Filipino	0%
	Samuel H. Cinco	0	0	Filipino	0%
	Jose Ma. C. Ordenes	1,449	0	Filipino	0.000%
	Feliciano B. Hatud	0	25,000	Filipino	0.001%
	Earl Christian L. Lerio	0	0	Filipino	0%

* *Indirect shares in a joint account with Xerxes Emmanuel F. Escaño*
** *Indirect shares in a joint account with Salvador P. Escaño*

The following table furthermore shows direct/record ownership of its directors in the Company, with beneficial ownership, including without limitation, the power to vote the shares and to dispose of the same, being retained by the beneficial owner corporations through their respective Boards:

Title of Class	Name of Record Owner	Name of Beneficial Owner	Amount and Nature of Record Ownership	Citizenship	Percent to Total of Class
Common	Salvador P. Escaño	Pryce Development Corporation	1,684,450	Filipino	0.084
	Ramon R. Torralba, Jr.	Pryce Development Corporation	90,000	Filipino	0.004

Voting Trust Holders of 5% Or More

The Company knows of no shareholder holding more than 5% of the Company's shares under a voting trust or similar agreement.

Changes in Control

The Company knows of no arrangement that may result in a change in its control, or of any change in control of the Company that had occurred since the beginning of its last fiscal year.

Directors and Executive Officers

Directors/Independent Directors, and Executive Officers

The following are certain information on the incumbent Directors and Independent Directors, and the Executive Officers of the Company as at May 23, 2019:

Name	Age	Citizenship	Position		
			Board	Executive Officer	Corporate Governance Committee Membership/s
Salvador P. Escaño	67	Filipino	Director – Chairman of the Board	Chief Executive Officer	*Chair,* Nomination; *Member,* Compensation and Remuneration.
Efren A. Palma	53	Filipino	Director	President	---
Ramon R. Torralba, Jr.	74	Filipino	Director	---	*Chair,* Compensation and Remuneration
Xerxes Emmanuel F. Escaño	28	Filipino	Director	---	*Member,* Audit; *Member,* Nomination.
Ray W. Jovanovich	56	American	Director	---	---
Roland Joey R. de Lara	65	Filipino	Independent Director	---	*Chair,* Audit; *Member,* Nomination.
Arnold L. Barba	67	Filipino	Independent Director	---	*Member,* Audit; *Member,* Compensation and Remuneration.
Simeon S. Umandal[8]	78	Filipino	---	FVP – Corporate Secretary	---

[8] Mr. Simeon S. Umandal passed away on May 25, 2019 and this was immediately disclosed to both the PSE and SEC (via SEC 17-C). The

Samuel H. Cinco	59	Filipino	---	FVP – Head, Northern Mindanao Operations	---
Sonito N. Mole	62	Filipino	---	Regional Head – Southern Mindanao Operations	---
Jose Ma. C. Ordenes	60	Filipino	---	Treasurer; SVP – Operations Monitoring; Corporate Information and Compliance Officer	---
Feliciano B. Hatud	61	Filipino	---	VP-Finance; Assistant Corporate Secretary	---
Earl Christian L. Lerio[9]	31	Filipino	---	Officer-in-Charge for the Office of the Chairman; Alternate Corporate Information and Compliance Officer	---

Salvador P. Escaño is concurrently director and Chairman of the Boards of Pryce Gases, Inc. (“PGI”), Pryce Development Corporation, Pryce Plans, Inc., Mindanao Gardens, Inc., Josefina Multi-Ventures Corporation, Hinundayan Holdings Corp., and Pryce Pharmaceuticals, Inc. (PPhI) Mr. Escaño is likewise also a Director of Oro Oxygen Corporation (“OOC”) and of Crown Equities, Inc. the latter also an issuer of securities.He also served as Director of Basic Petroleum & Minerals, Inc. until 1989. He was previously General Manager of Anselmo Trinidad and Co., (HK) Ltd., a Hongkong-based stockbrokerage firm from 1978 to 1981 and a member of the Board of Governors of the Makati Stock Exchange from 1989 to 1991. Mr. Escaño holds a Master’s degree in Business Administration from the University of the Philippines.

Efren A. Palma is a Certified Public Accountant. He is also concurrently a director of PGI, Hinundayan Holdings Corporation, and PPhI. He joined SGV & Co. in 1986, after which he worked for the Alcantara Group of Companies in 1989 as senior internal auditor. He was later promoted as Finance Manager for one of the construction companies of the Alcantaras in Iligan City before joining PGI in 1996. He holds a Bachelor’s Degree in Commerce from Immaculate Concepcion College in Ozamis City.

Ramon R. Torralba is likewise a director of PGI, Hinundayan Holdings Corp., and PPhI. He previously served as president of Tower Securities, Inc., a stockbrokerage firm, from 1989 to 1992. Atty. Torralba is a law graduate from Ateneo de Manila University and a member of the Integrated Bar of the Philippines.

Xerxes Emmanuel F. Escaño is also a director of PGI, OOC, and Hinundayan Holdings Corp. He has also been Managing Director of PPhI since January 1, 2015. Prior to this, he was connected with Teach for the Philippines before becoming Procurement Manager for Procter & Gamble. In the latter capacity, his functions included overseeing the entire end-to-end procurement process for all marketing, sales, research and administrative orders for the company’s regional headquarters in Singapore and Malaysia. He holds a Bachelor’s Degree in Management from the Ateneo de Manila University.

Ray W. Jovanovich began his investment career in 1988 in Hong Kong and spent 25 years managing portfolios on behalf of global institutions. A pioneer in Asia’s emerging markets, he developed the world’s first

Assistant Corporate Secretary, Mr. Feliciano B. Hatud, temporarily took over the vacated position. A new corporate secretary will be appointed and confirmed by the Board during its Organizational Meeting immediately after the stockholders meeting (annual) on June 28, 2019.

[9] Earl Christian L. Lerio was appointed as Corporate Information and Compliance Officer (Alternate) per disclosure to PSE and SEC via SEC 17-C dated May 17, 2019. This came about following the resignation of Kristie Xyla Amaro-Gonzalvo, also so disclosed in said same document.

investment funds for Thailand, Indonesia, the Philippines, and India in the late 1980s. In the final decade of his career, Mr. Jovanovich served as Chief Investment Officer—Asia for Amundi. He retired at the end of 2011 in order to focus on educational initiatives and philanthropy, and now lectures on a variety of Asian topics at universities in both America and Asia. He also continues to do project work for the International Monetary Fund on China-related issues.

Simeon S. Umandal was the Corporate Secretary of various companies within the Group, including Pryce Development Corporation, and is a director of Josefina Multi-Ventures Corporation. He has a Bachelor's degree in Business Administration from the University of the East. Mr. Umandal passed away on May 25, 2019. *His replacement as corporate secretary will be appointed and confirmed by the Board during its Organizational Meeting immediately after the stockholders meeting (annual) on June 28, 2019.*

Roland Joey R. de Lara has been an independent director of the Company since 2013. He is the Chief Executive Officer of Klinserv, Inc. and is Managing Director in Honor Merit Philippines, Inc. In previous capacities, he became the Operations Manager of Threshold Pacific Shipping Co. and Maritime Shipping Co. He finished his Bachelor's degree in Business Administration in Xavier University in Cagayan de Oro City. He has likewise previously served as independent director of the Company for the years 2003-2006 and again in 2009-2010.

Gener T. Mendoza is a nominee for the position of independent director. He is the president of GNCA Holdings, Inc., which provides business consultancy services, with focus on corporate financial advisory. He has more than 35 years of experience, among others, in banking, financial management, and business development. Mr. Mendoza is a graduate of the Ateneo de Manila University with a Bachelor of Science degree in Management Engineering (Summa Cum Laude) and has a Master of Business Administration degree from Harvard Business School.

Arnold L. Barba is name partner of the Barba Barba Barba & Associates law firm based in Cagayan de Oro City. He is also currently an Associate Professor and Lecturer in the College of Law, Xavier University - Ateneo de Cagayan. Prior to that, he was exposed to government work at the Bukidnon Public Works and Highways as well as the Provincial Population Office of Misamis Oriental. He likewise previously served as Sales Head of the Macajalar Realty and Development Corp. and Director of the Public Relations and Legal Affairs Departments of the Cagayan Electric Power & Light Co. Atty. Barba is a member of the Integrated Bar of the Philippines, obtaining his Bachelor of Laws degree from Xavier University, and he placed 9th in the bar examinations of 1984.

Sonito N. Mole joined the Pryce Group thru PGI in 1987 as an area sales manager. He later moved to PC in 1990 as operations head for the company's southern Mindanao operations. He is a graduate of the University of Visayas with a Bachelor's Degree in Marine Transportation.

Samuel H. Cinco began work in PGI in 1988 as a salesman and was later promoted as Area Manager of the company's Cagayan de Oro sales center. In 1990, he was assigned to PGI's SpecialProject Landbanking Division and later moved to PC. Mr. Cinco i s a licensed real estate broker and holds a Bachelor's degree in Business Administration obtained from the Xavier University in Cagayande Oro City.

Jose Ma. C. Ordenes has been connected with the Company since 1993. Previous to his position as Senior Vice President for Operations Monitoring, he was Purchasing Manager and later Assistant Vice President for Treasury. He holds a Bachelor's degree in Mechanical Engineering from the University of Santo Tomas. Before joining the Pryce Group, his work experience included teaching math and engineering subjects. Subsequently, he worked as an engineering foreman at Batangas Bay Carries, Inc. (which provides the marine transport services, and was then a subsidiary, of Pilipinas Shell Petroleum Corporation).

Feliciano B. Hatud first joined Pryce Securities Inc. (PSI) in1987 as a stock trader, in charge of buying and selling shares, and remained with PSI for 14 years. In December 2001, he was transferred to PGI as Assistant Vice President for Purchasing. He was thereafter promoted as Vice President of the same department and later on assumed the same position concurrently in PC. Mr. Hatud is agraduate of Southwestern University in Cebu with a Bachelor's Degree in Commerce major in Accounting.

Earl Christian Laguna Lerio, Officer-in-Charge for the Office of the Chairman, joined Pryce Group in 2018. Concurrently, he is an Alternate Corporate Information and Compliance Officer for Pryce Corporation. He obtained his Bachelor's Degree from the University of the Philippines Los Baños and Juris Doctor Degree from the University of Cebu School of Law. He is a member of the Integrated Bar of the Philippines.

Nominees and Term of Office

Per the Company's By-Laws, the members of the Board of Directors shall be elected during the regular meeting of the stockholders and shall hold office for (1) year and until their successors are elected and qualified.

The following are nominated for election to the Board of Directors for the year 2019-2020:

Salvador P. Escaño
Ramon R. Torralba, Jr.
Efren A. Palma
Xerxes Emmanuel F. Escaño
Ray W. Jovanovich
Gener T. Mendoza (Independent Director)
Arnold L. Barba (Independent Director)

All of the above nominees are incumbent directors except for Gener T. Mendoza who replaces Roland Joey R. de Lara (an incumbent director) as independent director. Information on the incumbent directors, including the nominee Gener T. Mendoza, can be viewed in the immediately preceding section (on '*Directors/Independent Directors, and Executive Officers').*

All, including the independent directors, were nominated by Hinundayan Holdings Corporation (HHC). HHC, beneficial owner of 7.938% of the Company, is a firm of which Mr. Salvador P. Escaño holds 64.92% of the total outstanding capital stock. HHC and the independent directors have no existing relationship,[10]apart

10 The independent directors are persons who, apart from their fees and shareholdings, are independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with their exercise of independent judgment in carrying out their responsibilities as directors in the Company. The independent directors are not directors, officers or substantial stockholders of the Company, HHC or its related companies or any of its substantial shareholders (other than as independent director of any of the foregoing), nor a relative or nominee of any of the foregoing. They do not own more than two percent (2%) of the Company, HHC, or its related companies or its substantial shareholders. They have not been employed in any executive capacity or as professional adviser by the Company, HHC, or any of its related companies or by any of its substantial shareholders within the last five (5) years nor are they retained as professional adviser by the Company, any of its related companies or any of its substantial shareholders within the last five (5) years, either personally or through their firms. They had not engaged and do not engage in any transaction whether by themselves or with other persons or through a firm of which they are partners or companies of which they is director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial or insignificant.

from the directorship herein disclosed, and the Company and the independent directors have no existing relationship. The Board of Directors of HHC has the power to decide how its shares in the Company are to be voted. Pursuant to the Company's Revised Manual on Corporate Governance, these nominees passed through the Nomination Committee for pre-screening and evaluation and have been evaluated to have all of the qualifications and none of the disqualifications of a director/independent director.

Significant Employees

The Company recognizes the contributions of all its employees as significant to achieve the purposes and objectives of the Company.

Family Relationships

Mr. Xerxes Emmanuel F. Escaño is the son of Mr. Salvador P. Escaño.

Involvement in Certain Legal Proceedings

The following are the cases pending against the directors and officers of the Company. The disclosure hereunder notwithstanding, it must be emphasized that these cases were filed due to alleged malfeasance by the said directors/officers in their capacity as such and in connection with the performance of their official functions.

1. ***Pilipinas Shell Petroleum Corporation versus Pryce Gases, Inc. (PGI), et al.***
I.S. No. 2005-56 for Trademark Infringement, Unfair
Competition, Violation of BP 33, Theft and Estafa.
Department of Justice, Manila.

Nature: The directors and officers of Pryce Gases, Inc. were implicated in this case because of the alleged existence of conspiracy. Neither the directors nor the officers issued any directive whatsoever, much less, passive acquiescence to commit fraud or crime for that matter. There is no basis, therefore, for the allegation of conspiracy.

Status: A Resolution was released by the DOJ dismissing the case. Pilipinas Shell filed a Motion for Reconsideration (MR). Accordingly, PGI filed its Comment and/or Opposition thereto. After Shell filed its Reply to the Comment and/or Opposition, PGI filed a Rejoinder thereto. PGI is still awaiting the resolution of Shell's Motion for Reconsideration.

2. ***LPGIA versus the Directors & Officers of Pryce Gases, Inc. and/or Oro Oxygen Corp.***
Provincial Prosecution Office of Rizal
NPS Docket No. XV-18M-INV-15H-03386
Trademark Infringement, and Violation of BP 33 and RA 623
Department of Justice
OSEC-PR-RZL-2-051216-001

City Prosecution Office of Taguig
Trademark Infringement, and Violation of BP 33 and RA 623

Nature: The Complaints were filed indiscriminately against all the directors and officers of PGI and OOC because of presumed consent and acquiescence to commit the offenses. There is no allegation in the Complaints however that alleges with particularity the identity of offenders or how the offender is connected with the companies, much less the actual personal participation its board of directors and officers in the alleged commission of the offenses. Complainant further bases its Complaint, among others, on noticeably intercalated invoices, for which countercharges of falsification have been filed.

Status: The Department of Justice partially granted LPGIA's Petition for Review and indicted additional respondents for violation of BP33. PGI officers and LPGIA filed their respective motions for partial reconsideration. These are pending before the Department of Justice.

3. ***LPGIA versus the Directors and Officers of Pryce Gases, Inc.***
Petron Corporation versus the Directors and Officers of Pryce Gases, Inc.
NPS Docket Nos. XV-03-INV-17-H-3149 to 3150, XV-03-INV-17C-0909 to 0912
Trademark Infringement, Unfair Competition, and Violation of BP 33 and RA 623
Office of the City Prosecutor of Cavite City

Nature: Like in the foregoing Taguig case, the Complaints were filed indiscriminately against all the directors and officers of PGI because of presumed consent and acquiescence to commit the offenses, without allegation in the Complaints that particularly identifies the offenders or how they are connected with the company. Much less is there any showing of the actual personal participation its board of directors and officers in the alleged commission of the offenses.

Status: The cases with docket numbers XV-03-INV-17H-3149 to 3150 are deemed submitted for resolution. The cases with docket numbers XV-03-INV-17C-0909 to 0912 were dismissed as far as the Board of Directors and executive officers of PGI are concerned. However, cases for BP 33 were recommended to be filed against PGI cashier and refilling staff.

4. ***LPGIA versus the Directors and Officers of Pryce Gases, Inc.***
NPS Docket No. II-07-INV-171-05786
Trademark Infringement and Violation of B.P. 33
Office of the Provincial Prose cutor of Bayombong, Nueva Vizcaya
Department of Justice

Nature: Similarly with the foregoing cases, complaints were filed indiscriminately against all the directors and officers of PGI because of presumed consent and acquiesce to commit the offenses.

Status: The cases were dismissed as against all directors and officers but for Mr. Rafael Escaño, as president of Pryce Gases, Inc., the charge being based solely on his position as such without showing any actual consent by to the commission of the offense, much less any participation therein. On that basis, Mr. Rafael Escaño filed a Petition for Review with the Department of Justice where the case is currently pending.

5. ***<u>Eastern Petroleum Corp. versus Efren A. Palma</u>***
NPS Docket No. XV-03-INV-16H-2849
Provincial Prosecution Office of Cavite
Violation of BP 33 and RA 8293

Nature: Mr. Palma only became aware of the above-captioned Complaint when he received the Resolution of the prosecutor in January of 2017. It is apparent from the records of the case that notices and other papers were delivered to the **wrong address** except, strangely, for the Resolution itself, which was delivered to the correct address**.** As such, Mr. Palma was not able to deny any wrongdoing by the company as alleged in the complaint and present his defenses, including especially that he is **not the President of Pryce Gases, Inc.,** nor is he managing the erring refilling plant or personally involved in the day-to-day operations of the company. It would have been easily verifiable from the public documents, which were attached to the complaint itself, that Mr. Palma's position in Pryce Gases, Inc. is as Chief Financial Officer.

Status: On motion for reconsideration, the resolution was reversed and charges against Mr. Palma have been dismissed. Countercharges for perjury have likewise already been filed against the complainant.

Apart from the foregoing, the Company is not aware of the occurrence during the past five (5) years of any of the following events that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter, or control person of the Company:

(a) Any bankruptcy petition filed by or against any business in which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior;

(b) Any conviction by final judgment in a criminal proceeding or being subject to a pending criminal proceeding;

(c) Being subject to any order, judgment, or decree permanently or temporarily limiting in any way such person's involvement in any type of business, securities, commodities, or banking activities; or,

(d) Being found by any court, the Commission, or an Exchange or other trading market or self-regulatory organization to have violated a securities or commodities law or regulation.

<u>Certain Relationships and Related Transactions</u>

The Company is not aware of any transaction during the last two years, not in the ordinary course of business, with the Company or its subsidiary in which a director, executive officer, or stockholder owning 10% or more of total outstanding shares of the Company, and members of their immediate family had or is to have a direct or indirect material interest.

<u>Resignation of Director</u>

No director has resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of security holders because of a disagreement with the registrant on any matter relating to the registrant's operations, policies or practices.

Compensation of Directors and Executive Officers

Executive Compensation

Following is the information as to the aggregate compensation paid to or estimated to be paid to the Company's Chief Executive Officer (CEO), and its four most highly compensated officers, and to all officers and directors as a group unnamed, during the last two fiscal years and in the ensuing fiscal year:

Name and principal position	Year	Salary (Pesos) ('000)	Bonus & other annual compensations (Pesos) ('000)	Total (Pesos) ('000)
Salvador P. Escaño CEO & Chairman				
Efren A. Palma President				
Jose Ma. C. Ordenes SVP - Treasurer				
Samuel H. Cinco FVP – Sales & Landbanking				
Sonito N. Mole SMO – Regional Head				
Aggregate compensation of above named officers	2017	4,467	606	5,073
	2018	4,359	905	5,264
	2019 (est.)	4,359	905	5,264
Other officers, directors and certain managers as a group, unnamed	2017	4,318	435	4,753
	2018	3,731*	729**	4,460
	2019 estimated	3,731	729	4,460

* Decrease due to retirement of a senior officer. ** Increase due to added bonuses.

Standard and Other Arrangements

Each Director receives a *per diem* allowance of twenty thousand pesos (Php 20,000.00) for his attendance in Board Meetings. Aside from this, there is no regular compensation for directors of the Company. Neither is there any other arrangement pursuant to which any director of the Company was compensated or is to be compensated, directly or indirectly, for the provision of service as Director.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements.

Other than what may be granted under the Company's Retirement Plan, the Company has no compensatory plan or arrangement which results or will result from the resignation, retirement, or termination of any executive officer's employment with the Company or its subsidiary or from a change-in-control of the Company or a change in the executive officer's responsibilities following a change-in-control.

Warrants and Options Outstanding: Repricing

The Company has no outstanding warrants or options granted to its CEO, to the above executive officers, and to all its officers and directors as a group.

Independent Public Accountants

Current Accountants

Since 2004, the SEC-accredited accounting firm of **Diaz Murillo Dalupan & Company ("DMD")** has served as the Company's external auditor, having offered the most economical audit proposal package to the Company as evaluated by the Board Audit Committee. In selecting an external auditor, the Board Audit Committee considers the standing and level of proficiency of the auditor/firm in the industry and evaluates if the fees charged are commensurate with such standing, as against the proposals submitted by other comparable firms. Pursuant to SRC Rule 68, Atty. Bethuel V. Tanupan has served as the signing partner for 2010 and 2011, then Ms. Rosemary D. de Mesa for 2012. Mr. Jozel Francisco C. Santos was the signing partner for 2013, 2014, 2015, 2016 as well as for 2017. For 2018's audited financial statements, a change is mandated by the SRC rules, so that the new signing partner is Mr. Elirie S. Arañas.

Following are the fees (which exclude VAT) paid to DMD for 2015, 2016, 2017 and 2018:

Year	External Audit Fee[11]	Tax Fees[12]	Other Fees[13]	Aggregate Fees
2015	Php 571,929.00	---	---	Php 571,929.00
2016	Php 600,000.00	---	---	Php 600,000.00
2017	Php 636,000.00	---	---	Php 636,000.00
2018	P 670,000.00.00	----	---	Php 670,000.00

Resignation of Principal Accountant

11 In general, services include the examination of evidence supporting the amounts and disclosures in the financial statements for the respective years ending December 31 and assessing the accounting principles and significant estimates of management and evaluating the overall financial statement presentation, with a view to the expression of the auditor's opinion on the fairness of the presentation of the financial statements in conformity with Philippine Financial Reporting Standards in all material respects. Audit fees above do not yet include the 12% VAT.

12 No engagement.

13 No engagement.

There has been no resignation or dismissal of principal accountant nor the engagement of a new principal accountant during the Company's last two fiscal years.

Compensation Plans

There is no action to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

ISSUANCE AND EXCHANGE OF SECURITIES

Authorization or Issuance of Securities Other than for Exchange

No action is to be taken with respect to the authorization or issuance of any securities otherwise than for exchange for outstanding securities of the Company.

Modification or Exchange of Securities

No action is to be taken with respect to the modification of any class of securities of the Company, or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

Financial and Other Information

Financial Statements and Management Report

The Company's Audited Financial Statements for the fiscal year 2018, its Quarterly Report (SEC Form 17-Q) for the quarter ending March 31, 2019 and its Management Report containing Management's discussion and analysis and plan of operation, substantially as stated in its Annual Report for the year ending December 31, 2018 (SEC Form 17-A), are attached to this Information Statement and incorporated hereto by reference.

Disagreements with Accountants

The Company and DMD have had no disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

Presence of Accountants at the Annual Stockholders' Meeting

Representatives of DMD are expected to be present at the meeting and will have the opportunity to make a statement if they so desire and will be expected to respond to appropriate questions.

Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken with respect to any transaction involving the merger or consolidation of the Company into or with any other person, the acquisition by the Company or any of its security holders of securities of another person, the acquisition by the Company of any other going business or of the assets thereof, the sale or other transfer of all or any substantial part of the assets of the Company, or the liquidation or dissolution of the Company.

Acquisition or Disposition of Property

No action is to be taken with respect to the acquisition or disposition of any property.[14]

Restatement of Accounts

No action is to be taken with respect to the restatement of any asset, capital, or surplus account of the Company.

OTHER MATTERS

Action with Respect to Reports

The Company will submit for approval:

(1) The Annual Report of Management for the year ending December 31, 2018;
(2) The Audited Financial Statements of the Company for the year ending December 31, 2018; and,
(3) The Minutes of the 2018 Annual Stockholders' Meeting held on June 28, 2018 with the following significant items, among others, though no matter therein will be submitted for the approval of the stockholders as action on the said matters have already been obtained in the previous annual meeting: (i) approval of the minutes of the 2018 annual stockholders' meeting; (ii) approval of the Annual Report and the Financial Statements of the Company for the year ended December 31, 2017; (iii) ratification of all acts and transactions entered into by the Board of Directors and its Officers from June 1, 2017 to June 30, 2018; (iv) election of the members of the board of directors; and, (v) re-appointment of the accounting firm of Diaz Murillo Dalupan and Company as the external auditor of the Company.

Matters Not Required to be Submitted

No action is to be taken with respect to any matter that is not required to be submitted to a vote of security holders.

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14 The registrant being essentially a real estate company, the acquisition and disposition of real properties is essentially in the ordinary course of business.

Amendment of Charter, Bylaws or Other Documents

No action is to be taken with respect to any amendment of the Company's Articles of Incorporation or By-Laws.

Other Proposed Action

The Company seeks the ratification and approval of all acts and resolutions of the Board of Directors and the Management in the ordinary course of business from June 1, 2018 to May 17, 2019. The major resolutions and acts of the Board and Management relate to: *declaration of cash dividends in the total amount Php242,940,000.00 or Php 0.12 per common share and payable on July 19, 2018 to stockholders of record as of June 25, 2018, out of unrestricted earnings as of as of December 31, 2017; granting authorizations to the company's officers: Efren A. Palma, Jose Ma. C. Ordenes or Sonito N. Mole to sell the company's office condominium units and their corresponding parking slots at Pryce Tower, J.P. Laurel Avenue, Bajada, Davao City; the renewal of the company's credit facilities with the United Coconut Planters Bank (UCPB) and authorizing any two (2) of the corporation's officers (Messrs. Salvador P. Escaño, Efren A. Palma or Jose Ma. C. Ordenes) to sign the necessary documents for the said purpose; authorizing the transfer the proceeds of the time deposit of the corporation with the Mindanao Development Bank and to Banco De Oro Unibank (BDO), R.N. Perez Branch, in Kauswagan, Cagayan de Oro City, and that any two (2) of the officers Efren A. Palma, Samuel H. Cinco or Alan B. Ascabano are authorized to sign all necessary documents for said purpose; authorizing the officers Salvador P. Escaño or Jose Ma. C. Ordenes to designate nominees for lots owned by the company in Villa Josefina Resort Village in Davao City to be members of the homeowners association of the subdivision; authorization granted to officer Samuel H. Cinco to sell the company's three motorcycles under terms and condition acceptable/ favorable to the company; authorization given to the officers Efren A. Palma, Samuel H. Cinco & Alan B. Ascabano to bid in various memorial lots for sale in Maria Cristina Gardens, Iligan City and Cagayan de Oro Gardens, Lumbia, Cagayan de Oro City, the bidding to be conducted by the Philippine Depository Insurance Corporation (PDIC); authorization granted to officers Efren A. Palma or Samuel H. Cinco to sell the company's parcel of land in Brgy. Casinglot, Tagoloan, Misamis Oriental measuring 3,960 sq. m. under TCT No. T-19291; appointment of Mr. Arnold F. Aranjuez as Data Protection Officer who will transact business with the National Privacy Commission and to represent, sign, negotiate on behalf of the corporation all pertinent and legal documents in compliance with the Data Privacy Act of 2012; the buy-back program to repurchase up to Pesos: Five Hundred Million (Php500,000,000.00) worth of common shares of the Corporation during a period of twenty four (24) months from November 20, 2018 to November 20, 2020, in the open market through the trading facility of the Philippine Stock Exchange, the repurchased shares shall be booked as treasury shares*; *declaration of cash dividends in the total amount Php242,940,000.00 or Php 0.12 per common share and payable on February 4, 2019 to stockholders of record as of January 11, 2019, out of unrestricted earnings as of as of September 30, 2018; authorizations given to the regional officers and/or authorized representatives companywide, to renew all permits, licenses and clearances of the corporation with the different government entities; general authority to open/close bank account/s should the need arises; authority to engage the services or appoint lawyer/s and/or representative/s to represent the Corporation to file or defend cases for and it behalf, to initiate civil/criminal/administrative complaints against any third party or to take such steps as may be necessary or appropriate to protect the interest of the Corporation; to open and maintain a trading account with any of the reputable securities and/or stock brokerage companies and to authorize its officers particularly its Chairman to sign, execute and deliver all necessary documents for the purpose and Messrs. Feliciano B. Hatud and Fulgencio A. Mossesgeld to execute the buying and selling orders on the Corporation's behalf; authority to sell or lease the pieces of real estate properties registered in the Corporation's name particularly the condominium units in Pryce Tower in Bajada, subdivision lots at Villa Josefina Resorts Village in Dumoy, St. Joseph Homes in Sirawan, Toril, Davao City for* *such amounts and under such terms and conditions as management may deem proper, reasonable and beneficial under the circumstances and that Mr. Sonito N. Mole is authorized to negotiate, conclude, sign, and deliver for and on behalf of the Corporation; authority and approval for the transfer and/or relocation of the electric and water meters from the existing location to a more accessible place/s for the meter readers of the utility firms, Davao Light and Power Company and Davao City Water District and Local Government Units; authority to Management to enter into a contract with a certain Ms. Evangeline B. Agan, as a Real Estate Services Provider for the construction/expansion of its Memorial Gardens-Phase II in Brgy. Sinunuc, Zamboanga City; Reactivation of bank account with BDO Unibank, Inc. (BDO), SM City, CDO Branch, Pueblo de Oro Business Park, Upper Canituan, Cagayan de Oro, under S/A #870005855 and C/A #878001693; declaration of cash dividend at Php 0.12 per common share payable on July 10, 2019 to all stockholders of record as of June 14, 2019.*

Voting Procedures

Vote Required

Motions in general require the affirmative vote of a majority of the shares of the Company's common stock present or represented and entitled to vote. Certain proposed actions however may require the vote of at least two-thirds (2/3) of the Company' outstanding capital stock.

Method by which votes are to be counted.

In the election of Directors, voting shall be cumulative. Thus, a stockholder, in person or by proxy, may vote such number of shares for as many persons as there are directors to be elected or he may accumulate 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 by a stockholder shall not exceed the total number of shares owned by him multiplied by the whole number of directors to be elected. The top seven (7) nominees with the most number of votes will be elected as directors. If the number of nominees does not exceed the number of directors to be elected, all the votes shall be cast in favor of the nominees.

Shares are traditionally voted by verbal motion and duly seconded during the meeting, unless otherwise required by law. A matter is approved when there is no objection or any such objections are otherwise overcome by the required affirmative vote. The Corporate Secretary is normally designated to count the votes to be cast.

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UNDERTAKING

Upon the written request of any stockholder, the Company undertakes to furnish said stockholder a copy of its Annual Report (SEC Form 17-A) free of charge [exhibits however will be charged at cost]. Any written request for a copy of SEC Form 17-A may be directed to:

Mr. FELICIANO B. HATUD
Assistant Corporate Secretary
PRYCE CORPORATION
17th Floor PRYCE CENTER
1179 Chino Roces Avenue
corner Bagtikan Street
Makati City

-OR-

Atty. EARL CHRISTIAN L. LERIO
Officer-in-Charge for the Office of the Chairman; Alternate Corporate Information and Compliance Officer
PRYCE CORPORATION
17th Floor PRYCE CENTER
1179 Chino Roces Avenue
corner Bagtikan Street
Makati City

-OR-

Mr. JOSE MA. C. ORDENES
Treasurer; Corporate Information and Compliance Officer
PRYCE CORPORATION
17th Floor PRYCE CENTER
1179 Chino Roces Avenue
corner Bagtikan Street
Makati City

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on June 4, 2019.

PRYCE CORPORATION
By:

JOSE MA. C. ORDENES
SVP – Treasurer; Corporate Information and Compliance Officer

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **GENER T. MENDOZA**, of legal age, Filipino, and with address at Unit 322 LRI Design Plaza, 210 Nicanor Garcia St., Bel-Air, Makati City, after having been duly sworn in accordance with law, hereby declare that:

1. I am nominated as an independent director of **PRYCE CORPORATION**.

2. I am affiliated with the following companies or organizations.

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
IPM Holdings, Inc.	Director	August 2007 – Present
ACM Landholdings, Inc.	Director	2010 – Present
Dualtech Training Center Foundation, Inc.	Director	2012 – Present
Rose Pharmacy, Inc.	Director	Aug. 2016-Dec. 2018
Chelsea Logistics Holdings Corporation	Director	March 2017 - Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PRYCE CORPORATION** as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other SEC issuance.

4. **I am not related to any director/officer/substantial shareholder of PRYCE CORPORATION.**

5. **To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.**

6. I am not in government service nor affiliated with a government agency or Government Office and Controlled Corporation (GOCC).

7. 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.

8. I shall inform the corporate secretary of PRYCE CORPORATION of any changes in the abovementioned information within five (5) days from its occurrence.

Done on 22 May 2019, Makati City.

GENER T. MENDOZA
Nominee/Independent Director

REPIBLIC OF THE PHILIPPINES)
Makati City) SS.

SUBSCRIBED AND SWORN to before me on MAY 2 2 2019 at Makati City, affiant exhibiting to me his Passport No. P7536606A issued on June 13, 2018.

Doc. No. 236;
Page No. 49;
Book No. 10;
Series of 2019.

ATTY. HUBERT N. LUZ
NOTARY PUBLIC
Until December 31, 2019
Appt. No. M-102, Makati City
IBP #058192 for 2019 - RSM
PTR #7328679, Jan. 03, 2019-Makati
S.C. Roll No. 59597
MCLE Compliance No. V-0015439; 9 March 2016
Unit 301 3rd Flr Campos Rueda Bldg.
101 Urban Avenue, Brgy Pio del Pilar
Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, ARNOLD L. BARBA, of legal age, Filipino, and with address at Mt. Obulan Street, Capistrano Complex, Gusa, Cagayan de Oro City, after having been duly sworn in accordance with law, hereby declare that:

1. I am nominated as an independent director of **PRYCE CORPORATION** and have been its independent director since 2017 (where applicable).

2. I am affiliated with the following companies or organizations.

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Xavier University	Lecturer, associate Professor	1985 to 2016
Barba, Barba, Barba & Associates	Managing Partner	1992 to 2016

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PRYCE CORPORATION** as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other SEC issuance.
4. **I am not related to any director/officer/substantial shareholder of PRYCE CORPORATION.** [/ 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 Regulations 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 proceeding (as the case may be)]:

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
-N/A-	-N/A-	-N/A-

6. I am not in government service nor affiliated with a government agency or Government Office and Controlled Corporation (GOCC).

7. 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.

8. I will inform the corporate secretary of PRYCE CORPORATION of any changes in the abovementioned information within five (5) days from its occurrence.

Done on MAY 17 2019 Makati City.

ARNOLD L. BARBA
Affiant

REPIBLIC OF THE PHILIPPINES)
Makati City)SS.

SUBSCRIBED AND SWORN to before me on MAY 17 2019 at Makati City, affiant exhibiting to me his Office of Senior Citizen Affairs (OSCA), No. 69987, issued on May 21, 2012.

Doc. No. 112 ;
Page No. 24 ;
Book No. XXI ;
Series of 2019.

JAN FREEMAN C. VILLEGAS
NOTARY PUBLIC
ROLL NO. 59650
MAKATI CITY, PHILIPPINES

Atty. Jan Freeman C. Villegas
Notary Public for Makati City
Appt. No. M-128 until December 2019
Unit 3C LTA Building, 118 Perea St.
Legaspi Village, Makati City
Roll No. 59650
IBP No. 056378 / 12-07-2018 / Pasig City
PTR No. 7333009 / 01 03-2019 / Makati City
MCLE Compliance No. V-0013777 / Feb. 5, 2016

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING OF PRYCE CORPORATION HELD AT THE ISABELA BALLROOM AB, MAKATI SHANGRI-LA, CORNER AYALA AND MAKATI AVENUES, MAKATI CITY ON THURSDAY, JUNE 28, 2018 AT 4:00 P. M.

The Chairman and Chief Executive Officer, Mr. Salvador P. Escaño, presided and called the meeting to order at 4:00 p.m. The undersigned as Corporate Secretary certified that notices of the meeting were sent to stockholders of record as of June 8, 2018, at their given addresses on June 14, 2018, and published in a newspaper of general circulation, the Manila Bulletin on the same day, June 14, 2018. It was also certified that a quorum was present because 1,998,591,573 shares out of the issued and outstanding shares of 2,024,500,000 or 98.72% entitled to vote were present in person and by proxy.

The next item on the agenda was the reading and approval of the minutes of the previous annual stockholders meeting held on August 17, 2017. Inasmuch as the stockholders present were given their copies of the said minutes before the meeting, on motion duly made and seconded, it was unanimously

> "RESOLVED, that the reading of the minutes of the annual meeting held on August 17, 2017, be, dispensed with and the same be, as it is hereby, approved".

The next order of the business was the report of the President and Chief Operating Officer (COO), or simply the Management Report. Likewise, copies of the Management Report to the Stockholders were furnished them before the meeting as well as the Audited Financial Statements as of December 31, 2017. Nevertheless, the President, Mr. Efren A. Palma rendered a brief oral report on the result of operations for the year ended, December 31, 2017 with comparative figures to the previous year, 2016, as follows:

- Pryce Corporation turned in a strong performance in 2017. Consolidated revenues increased by a significant 37% to Php9.2 billion for the year ended December 31, 2017 over the Php6.7 billion in 2016. This growth is due mainly to the 22% sales volume growth in the Visayas & Mindanao regions in the company's LPG business.

- Revenue contribution by product line was led by liquefied petroleum gas (including gas cylinders and accessories) at Php8.66 billion (94% of total sales); followed by industrial gases at Php391.5 million (4.24%); real estate sales at Php139.41 million (1.5%); and pharmaceutical products by Php39 million (0.42%).

- Higher revenue growth from LPG sales drove the net income of the Company to Php1.252 billion for 2017 which is 29.6% higher than that of the 2016's net income of Php966 million.

- Earnings per share for 2017 was Php0.567, which is a 27.8% improvement over the Php0.444 per share in 2016.

For the year 2018, Pryce Gases, Inc. (PGI) will continue its expansion projects, started about two years ago, which aims to increase the storage capacities of its marine terminals and to bring its LPG product closer to the markets. All its seven (7) import terminals in the VisMin areas are expanded to enable each one to accommodate at least one shipload of 2,500 MT cargo. The expansions of its terminals in Albuera, Leyte, and Sta. Cruz, Davao del Sur were completed in 2017. The expansion of the LPG terminals in Sogod, Cebu and Balingasag, Misamis Oriental will be completed by June / August, 2018. The Ability to discharge one shipload in a single terminal will reduce the import costs by 10 to 20 dollars per MT. PGI is likewise continuing to build at least 15 refilling plants in the VisMin areas to make its product closer to the market. These expansions are expected to be completed by the end of 2019 and all of these expansions are funded from internally generated funds.

The Company perceives the TRAIN law as having a positive impact on the LPG industry, as the law imposes relatively lower taxes on LPG compared to other fuels. This is seen to make market preferences gravitate gradually towards LPG over other fuels in the next 2 to 5 years.

For the year 2018, the Company sees growth of as much as 15% in sales volume and 20% in net income. It targets a net income of Php1.55 billion (plus/minus 10%) for the year 2018.

On June 7, 2018, the Company made its second declaration of cash dividends. The Company endeavors to declare cash dividends on a regular basis in the coming years.

After some questions, clarifications and answers thereon, on motion duly made and seconded, it was unanimously

"RESOLVED, that the report of the President or simply the Management Report for the year ending December 31, 2017, be, as they are hereby, approved."

The next order of the business was the approval of the Annual Report and the Financial Statements of the Company for the year ended December 31, 2017. But before the Chief Operating Officer begins his report, a motion was made to dispense with it, as the same were already highlighted in the President's Report and besides, it is already stated in the Information Statement and Management Report provided the stockholders' before the meeting. And on motion duly made and seconded, it was unanimously

"RESOLVED, that the report of the operations of the Corporation for the fiscal year ending December 31, 2017, as well as the Audited Financial Statements for the same period, be, as they are hereby, approved."

The Chairman then stated that the next item on the agenda was the ratification of all acts and transactions entered into by the Board of Directors and its Officers. The stockholders present were informed that the copies of the management acts are available at the Head Office of the Corporation for verification during regular working hours of any working days. There being no questions on the acts and transactions entered into by the Board of Directors and its Officer, on motion duly made and seconded, it was unanimously

"RESOLVED, that the acts and transactions entered into by the Board of Directors and Officers of the Corporation on the latter's behalf, be, as it is hereby, ratified."

The next item on the agenda was the election of the Board of Directors of the Corporation to hold office for one year until their successor are duly elected and qualified. On motion duly made and seconded, the following stockholders were unanimously elected for the ensuring year.

1. Salvador P. Escaño - Chairman
2. Ramon R. Torralba - Director
3. Efren A. Palma - Director
4. Xerxes Emmanuel F. Escaño - Director
5. Ray W. Jovanovich - Director
6. Arnold L. Barba - Independent Director
7. Roland Joey R. de Lara - Independent Director

The next item on the agenda was the appointment of the Corporation's external auditors. Upon motion duly made and seconded, it was unanimously

"RESOLVED, that the accounting firm of **Diaz Murillo Dalupan and Company** be, as it is hereby appointed external auditor of the Corporation for the current fiscal year".

There being no further business to take up, the meeting was, on motion duly made and seconded, adjourned at 4:56 p.m.

SIMEON S. UMANDAL
Corporate Secretary

A T T E S T :

SALVADOR P. ESCAÑO
Chairman

MANAGEMENT REPORT

BUSINESS AND GENERAL INFORMATION

BUSINESS

Background

Pryce Corporation ("PC" or the "Company"), formerly Pryce Properties Corporation, was incorporated on September 7, 1989. It was established basically as a property holding and real estate development company. The Company concentrates its operations in Mindanao and is principally involved in the development of memorial parks and sale of memorial lots; in the past, it had developed residential and commercial properties; it was previously engaged in the hotel business (Pryce Plaza). PC, as of this writing, owns and operates a total of thirteen (13) memorial parks in Mindanao's major cities: Cagayan de Oro City, Iligan City, Ozamiz, Polanco (near Dipolog City), Zamboanga City, Davao City, including the smaller memorial parks in Manolo Fortich (at the boundaries of Cagayan de Oro City and Bukidnon), Malaybalay City in Bukidnon, Malita in Davao Occidental, Bislig in Surigao del Sur, Alabel in Saranggani, Pagadian City, and the most recent in Butuan City, which was launched on January 25, 2019.

Pryce Gases, Inc. ("PGI") is the Company's subsidiary, which is principally engaged in the importation and distribution of liquefied petroleum gas (LPG) under the brand name *PryceGas*; it also produces and sells industrial gases. PC's ownership in PGI slightly lowered to 91.4% (lower from the previous of 98% in 2014) as a result of the latter's increase in authorized capital stock from P2.5 billion to P3.7 billion, even as PC subscribed to an additional 93,500,000 shares in PGI in June 2015. PGI's increase in capital stock was approved by the Securities and Exchange Commission ("SEC") on May 22, 2015.

PGI has a wholly-owned subsidiary Oro Oxygen Corporation ("OOC") which operates in Luzon and the National Capital Region ("NCR"). It sells/distributes PGI's LPG product (PryceGas) and sells industrial gases that is sourced independently from PGI.

Another subsidiary of the Company is Pryce Pharmaceuticals, Inc. (PPhI), a wholesaler and distributor of private branded multi-vitamins and some 'over-the-counter' generic drugs. It was organized to primarily take advantage of the 'Generic Medicines Law'. PPhI is a relatively small player in the pharmaceutical business as it was organized in September 2005.

Corporate Rehabilitation

Background

PC filed a petition for rehabilitation with the Regional Trial Court, Branch 138 (later Branch 149) of Makati ("the Commercial Court") on July 9, 2004; following this, the same court, in an order dated July 13, 2004, appointed a Receiver and ordered a stay in the settlement of all debts with the banks and trade creditors. In the years preceding the filing of said petition, the Company experienced a series of downturns in its real estate revenues due to the effects of the Asian financial crisis of 1997. This resulted in declines in cash flows that led to its inability to service its maturing bank debts. The Company had been negotiating with its bank creditors, as early as three years prior to the filing of same petition, for restructuring and/or payment of its debts via dacion en pago. However, no agreement was finalized because of several sticking points on the selection and valuation of assets as well as the accrual of interest and penalties. Meantime, China Banking Corp. ("CBC") and the Bank of Philippine Islands ("BPI") issued legal notices demanding payments. BPI, in fact, subsequently foreclosed on some of PC's assets mortgaged to the former.

In the midst of the aforesaid circumstances and stand-off with the banks and holders of the Long Term Commercial Papers (LTCP), Management decided to file a petition for rehabilitation to avert the following: a) the scenario of ballooning obligations owing to the continuous accrual of interest and penalties arising from to the impasse in debt negotiations; and b) the foreclosures on PC's real estate assets and deficiency claims that the banks would file, which would result in the Company's loss of viability as a going concern. The rehabilitation plan submitted by PC sought to pay off all outstanding loan obligations and achieve a debt-free scenario for the company to enable it to start on a clean slate. This would be achieved through dacion en pago of its real estate properties and would not involve any restructuring of its debts, given its tight liquidity position and low debt service capacity.

On December 1, 2004, the Receiver submitted his comments and recommendations on the proposed rehabilitation plan of the Company, following which the rehabilitation plan of the company was approved by the Commercial Court thru an order it issued on January 17, 2005, which was implemented by the Receiver.

PC's rehabilitation proceedings was closed and terminated in late July 2015. PC's corporate rehabilitation would have been terminated much earlier had it not been for the opposition of two creditor banks to PC's rehabilitation. These banks went all the way to Supreme Court ("SC") but PC eventually secured favorable rulings in that court.

Court Litigations in Relation to PC's Rehabilitation Proceedings

The two creditor-banks BPI and CBC filed their respective petitions for review of the Commercial Court's orders before the Court of Appeals ("CA") in February, 2005 opposing the rehabilitation plan.

In the BPI case, the 1st Division of the CA issued its decision on May 3, 2006 in favor of BPI. The Company filed a Motion for Reconsideration on May 26, 2006 and the CA on May 23, 2007 reversed itself, ruling in favor of PC thereby affirming the ruling of the RTC-Makati. BPI filed a Petition for Review on Certiorari with the SC which was denied on January 30, 2008. BPI then filed a Motion for Reconsideration, but this was likewise denied with finality when on April 28, 2008 the SC ruled that BPI did not present substantial argument to warrant a modification of the SC's earlier resolution.

The court litigation with CBC at the CA began in February 2005; it was a protracted one and went all the way to the SC. Finally, on March 11, 2014, the Company received a resolution from the SC *En Banc*, promulgated on February 18, 2014, in *Pryce Corporation vs. China Banking Corporation, G.R. No. 172302*, in which the court en banc found the arguments of the Company meritorious and, thus, RECONSIDERED and SET ASIDE the earlier decision of the SC First Division and granted the Company's motion for reconsideration. This promulgation in effect upheld the orders of Commercial Court: (i) stay order; (ii) order giving due course to the petition for rehabilitation; and, (iii) order finding the Company eligible to be placed in a state of corporate rehabilitation, approving the rehabilitation plan, identifying assets to be disposed of, and determining the manner of liquidation to pay the liabilities.

Termination of the Company's Rehabilitation Proceedings

On May 19, 2015, PC filed the motion to terminate the proceedings for corporate rehabilitation. Hinundayan Holdings Corp. filed a Manifestation with the Commercial Court stating that: 1) it was the only remaining LTCP creditor of PC; 2) it had made certain arrangements with it on the settlement of the said LTCP obligation, it being an affiliate of PC; and 3) it endorsed PC's motion to terminate the rehabilitation proceedings.

On July 31, 2015, PC received an Order dated July 28, 2015 from the Commercial Court. The Order granted PC's motion to terminate its corporate rehabilitation proceedings and declared the rehabilitation proceedings of PC as closed and terminated. (The closure and termination of PC's rehabilitation proceedings formally became final when the Commercial Court issued a certificate of finality of judgment on March 13, 2019.)

Product Mix

Before 1997, PC's principal business was property development which accounted for the bulk of the company's revenues and income. Subsequently, LPG and industrial gases (product lines of the subsidiary PGI) dominated the Company's business, as a result of which the name was changed from "Pryce Properties Corporation" to "Pryce Corporation". The name change was approved by the SEC on July 29, 1997. The Philippine Stock Exchange ("PSE") then reclassified the Company's stocks from "Property" to "Manufacturing, Trading and Distribution" on September 25, 1997. Subsequently, the Company's stock was reclassified to "Chemicals", which became effective on January 2006, pursuant to PSE's circular that stock classification should be to the industry from which a company is generating the majority or bulk of its revenues.

The subsidiary, PGI, manufactures and distributes oxygen (medical and industrial) and acetylene as well as trades in other gases such as argon, carbon dioxide and nitrogen. Its industrial gas manufacturing facilities consist of several plants in different locations. In recent years it has decided to limit or stop the manufacturing of said gases in certain areas where it is not economical to operate due to the rising costs of production, plant maintenance, and increasing occurrence of brownouts; it instead procured those gases from third-party sources.

PGI's LPG business began in late 1996 by way of a supply agreement with one of the three major oil companies in the country and enabled it to market LPG using the name *PryceGas*. In the following year, it started the construction of its own sea-fed terminal facilities and in-land refilling plants in various strategic locations in the Visayas and Mindanao ("Vis-Min").

PC's property business involves the acquisition of raw land and its conversion into various developments, mostly memorial parks; in the past it included residential subdivisions and housing, business parks, and commercial centers. These were mostly designed for the medium and upscale markets except for two low-cost housing projects. The Company has regional sales groups in Mindanao that take charge of the selling of real estate in that island.

In 1996, two years after PC built its first memorial park in Cagayan de Oro City, the Company decided to undertake a policy shift in regard to its property development activies; it decided to focus its efforts in the development and selling of memorial lots. In just a span of 5 years (1996 to 2001) after such decision, the Company was able to complete five (5) more memorial parks in the following locations: Iligan City, Zamboanga City, Polanco in North Zamboanga (i.e., near Dipolog City), Ozamiz City and Davao City. All of these major memorial parks (discussed in more detail below) are operational, although certain areas in these parks are reserved for future development. Then, beginning in 2005, the Company commenced the development of what it calls "boutique" (or smaller-size) memorial parks. Since then six (6) boutique memorial parks were essentially completed in the places of: Manolo Fortich in Bukidnon, Malita in Davao Occidental, Bislig in Surigao Del Sur, Malaybalay City in Bukidnon, Alabel in Sarangani and Pagadian City. (The parks in Manolo Fortich and Malaybalay City were later upgraded to the company's Class A category of memorial parks.) The most recent memorial park is that in Butuan City, which was completed in December 2018 and opened in January 2019.

As a real estate company, PC's main activity is the selling of its memorial park inventories. (The Company has completed its development of non-memorial park projects and continues to sell off the remaining inventories, after which, the company will concentrate its development activities on memorial parks. The Company still has some remaining upscale subdivision lots in Cagayan de Oro City and Davao City, as well as office condominium units, also in Davao City, which the Company is seeking to dispose.)

Another product group that belongs to the mix consists of private branded multi-vitamins and some 'over-the-counter' generic drugs that belong to the Company's subsidiary, PPhI. PPhI, being a relatively new player in the industry and having a modest capitalization, is not expected in the near term to provide significant contribution to the Company's business. It is, however, expected to gradually grow in the long term since the generic drugs business is a substantial industry that continues to expand.

Personnel and Manpower

The Company has a regular workforce of 255 employees in its real estate business and is composed of the following: 49 are in administrative positions, 196 are in operations and 10 are senior officers. Compared to 2017, the number of employees increased by 47 in the operations group mainly because of the regularization of employees from their contractual status. Replacements are hired only when very necessary.

The subsidiary, PGI (including its subsidiary Oro Oxygen Corporation or "OOC"), has 1,183 regular personnel, of which 294 are in the technical services group, 624 are in operations, 235 in administration and 30 are senior / key officers. A total increase of 88 personnel occurred in PGI (includes OOC) in 2018 compared to the previous of 1,095 in 2017 since a large number of employees had to be hired due to the expansion of its facilities in several regions, including the putting up of various refilling plants and sales centers. This is consistent with the goal of bringing its LPG products closer to the consumer market as well as to widen its market reach. The administration personnel are those who mainly provide support and 'back office' functions, which consist mainly of personnel in the administrative services department and finance & accounting services department; the operations group is composed of employees whose tasks chiefly relate to transport of products and sales/marketing functions; while the technical personnel are those involved in plant operations, gases production, LPG operations, LPG cylinder maintenance and autogas operations.

The workforce numbers herein do not include non-regular personnel, i.e., probationary and contractual ones. The number of regular employees expected to be hired in the following year 2019 will depend on developments and growth in the company's business and on the number of employees who may resign or retire within the said year. The employees are not subject to Collective Bargaining Agreement (CBA) since the parent company and its subsidiary are non-unionized.

Marketing and Sales

PGI has a well-organized distribution network. It has synergies formed from shared distribution centers and long experience in selling and servicing of its products. Customer service for new and repeat customers is made better by a system wherein the sales/marketing function is separate from the service functions. Sales associates are solely responsible for generating new customers, while the sales outlets/centers service the LPG requirements of existing customers.

PGI's LPG sales centers and refilling plants render 24-hour service and have stay-in personnel. These sales centers sell cylinders, stoves, replenish empty tanks of dealers and conduct promotional activities for existing PGI customers. These centers also cater to phoned-in or texted orders.

The dealers are PGI's main outlets for selling LPG; these dealers, however, do not have exclusivity contracts for dealership. Dealers' stocks are replenished from PGI's sales centers or from its LPG marine terminals or refilling plants. Dealers have the option of having their empty cylinders refilled at refilling plants at a price lower than sales outlet price. Large dealers are allowed to have their own sub-dealers and sales outlets.

On the real estate business side, the company, for marketing purposes, divides Mindanao into two regions: the Northern and the Southern (inclusive of Zamboanga and Butuan) operations. A region is managed by a regional head and has a marketing and selling group headed by a sales and marketing manager, under whom are the different memorial park business managers who are compensated and incentivized according their sales performance. Each region is responsible for periodically improving its marketing plans and strategies in order to meet the agreed sales targets. The park business managers are responsible for recruiting its sales force, which are composed of unit managers and sales associates who are compensated on commission basis. A park business manager is also responsible for the maintenance of their park, through their park supervisors.

Competition

Pryce's LPG & Gas Business

PGI's LPG business had operated in the Vis-Min areas for more than 20 years; it competes with the main players Petron (Gasul brand), Phoenix (Petronas brand), and Isla Gas (Solane brand). In Luzon however, PGI is a relatively new entrant having entered the fray in June 2014; it competes with Petron, Liquigaz, Isla Gas, as well as with South Pacific, Inc. (SPI), the latest entrant in Luzon, whose marine storage terminal (in Calaca, Batangas) went into operation in late 2015. At the refilling plant level, Management estimates that PGI competes with numerous independent refilling plants all over Luzon.

As of December 31, 2018, PGI now has an increased aggregate LPG storage capacity of 33,609 metric tons (MT) consisting of sea-fed / marine terminals and inland refilling plants which are strategically located in Luzon, Visayas, and Mindanao (see tabulation under the discussion below titled ***LPG Plants***). Following PGI's expansions in 2018, its total storage capacity has increased to 23,325 MT for its Vis-Min operations. This is the biggest compared to any of its competitors in the Vis-Min area. In Luzon, PGI's 8,500-MT storage capacity is one among the three largest storage facilities, which includes those of Liquigaz and SPI. On product distribution capability, PGI, has, as of December 31, 2018, thirty-seven (35) refilling plants strategically located in various parts of Luzon and NCR. The large capacities of its marine terminals and numerous refilling plants in various locations across the country allow PGI to cover a wide range of the market within those regions and brings its product closer to the consumer market. Moreover, the location of its network of terminals and refilling plants gives it the flexibility to transfer product to ensure continuity of supply in the event of possible stock-outs due to fortuitous events.

PGI sources its LPG from Asian suppliers that ship the LPG to its terminal using marine carriers with capacities of 2,500-3,500 MT. The storage capacity of the terminals in Vis-Min could take a single-port discharge or a maximum of two-port discharge per shipload; this gives PGI some cost advantage over competitors, which, because of their smaller storage capacities would need multiple port deliveries to fully unload the contents of one carrier.

The Department of Energy ("DOE") reports that PGI has the following LPG market shares in the following regions as of 2018: 25% in Mindanao, 22% in Visayas, and 8% in Luzon (including NCR). PGI is a major industry player in the Philippine LPG industry and has an 11% share of the country's total market or equivalent to 198,000 MT; it is the 2nd largest industry player in both the Visayas and Mindanao areas, and has a 23% market share of those areas combined.

PGI's industrial gas business (comprising about 4 to 5% of PGI's total revenue) competes with about thirteen other companies, with Linde Philippines, Inc. and Air Liquide considered to be its closest major competitors. It has to contend with different environments for its products (oxygen, acetylene, argon, nitrogen, carbon dioxide, and compressed air) in terms of the extent and composition of the competition. PGI's Vis-Min operations account for the bulk of its industrial gas revenues. Management estimates that PGI has roughly 30% of the combined Mindanao and Visayas markets. (A more specific discussion of price and market demand is provided in the section on ***Results of Operations and Detailed Discussion on Performance Indicators***)

Pryce's Memorial Park Business

The real estate business in the Philippines is very competitive. The extent and composition of the competition varies by geographic region and price segment. Real estate activity used to be concentrated in the NCR and other big urban areas, however, it has now spilled over to various population centers and cities in Mindanao and Visayas.

The real estate business of the Company is concentrated on its memorial parks which compete with others that have varying qualities and character but few are comparable to the Company's memorial parks in terms of natural scenery or quality of development and maintenance. The significant competitors are each shown below the Company's *Pryce Gardens* memorial parks.

A. Cagayan de Oro Gardens (Cagayan de Oro City)
- Greenhills Memorial Park
- Divine Shephed Memorial Park
- Golden Haven Memorial Park

B. Ma. Cristina Gardens (Iligan City)
- St. Michael Park

- there exist a public and several Chinese cemeteries but these are not considered significant competitors

C. Zamboanga Memorial Gardens (Zamboanga City)
- Forest Lake Memorial Park
- Ayala Public Cemetery
- Chinese Cemetery
- Lund Memorial Park
- Golden Haven Memorial Park

D. North Zamboanga Gardens (Dipolog City)
- Century Memorial Park
- Millenium Cemetery (this was foreclosed by a government bank and appears as not being effectively marketed)
- Gulayon Public Cemetery

E. Ozamiz Memorial Gardens (Ozamiz City)
- Malindang Memorial Gardens
- Ozamiz Chinese Cemetery

F. Mt. Apo Memorial Gardens (Davao City)
- Davao Memorial Park
- Buhangin Memorial Park
- Toril Memorial Park
- Forest Lake Memorial Park
- Manila Memorial Park
- Calinan Memorial Gardens

G. Pryce Gardens, CDO-Manolo Fortich (at junction of CDO and Bukidnon)
- three small public cemeteries located in Bugo, Agusan & Tablon
- the private cemeteries in the city of Cagayan de Oro City, Golden Haven and Divine Shepherd, although remote, may also be considered competitors
- Damilag Cemetery in Bukidnon

H. Pryce Gardens – Malaybalay (Bukidnon)
- Shepherd Meadows Memorial Park
- Valencia Memorial Gardens

I. Pryce Gardens – Malita (Davao Occidental)
- Backyard interment
- Inaburan Public Cemetery

J. Pryce Gardens – Bislig (Surigao del Sur)
- Bislig Public Cemetery
- Abaya Memorial Park
- Salazar Memorial Park

K. Pryce Gardens – Alabel (Sarangani)
(most 'competitors' are some distance away in General Santos City)

- Forest Lake Memorial Park (Apopong, General Santos City)
- Monte Cielo Memorial (Conel, General Santos City)
- Holy Trinity Memorial (Polomolok, South Cotabato)
- Spring Public Cemetery

L. Pryce Gardens – Pagadian
- Chrysanthemum Memorial Garden (Barangay Tiguma)
- Pagadian Memorial Park (Barangay Paglaom)
- Pielago Memorial Park (Barangay Paglaom)
- Pagadian Public Cemetery (Barangay Paglaom)

M. Pryce Gardens – Butuan
- Uraya Memorial Gardes

Government Approvals, Licenses and Permits

Licenses, permits and other government-required approvals have been obtained by PGI for the operation of all of its production facilities. It is registered with the Board of Investments ("BOI") under the Omnibus Investments Code of 1987 (Executive Order No. 226 as amended by RA No. 7369), as a new operator of distribution facilities for LPG in various Visayas and Mindanao regions on a non-pioneer status. PGI is entitled to certain tax and non-tax incentives such as income tax holiday ranging from four to six years and duty-free importation of capital equipment and others. PGI's San Fabian terminal in Luzon is also registered with the BOI and enjoys tax incentives. The company owns the registered brand name, "PRYCEGAS" for its cylinders, but it does not have any patent to a product or process.

As to the Company's property development business, the requisite development permits and Licenses to Sell have been secured from the local government units and the Housing and Land Use Regulatory Board (HLURB) for its various real estate projects. The Company essentially complies with the conditions and terms of the said license, such as the delivery of the lot/unit title to the buyer upon full payment of the price thereof; payment of real estate taxes/assessments on a lot or unit until the title has been transferred to, or the buyer has taken possession of the property; and display of the license and Certificate of Registration in a conspicuous place in the principal office of the owner/developer and copy thereof at its branch office(s).

Development Cost in relation to Revenues

Shown below are the amounts that the Company group has spent for its development activities in the last three fiscal years:

	2018	2017	2016
Development Cost	1,666,673,157	589,352,628	624,922,453
Percentage to Revenues	16.22%	6.39%	9.30%

The increase in development cost pertain mainly to ongoing expansions in terminals and construction of refilling plants nationwide, acquisition of land for such plants as well as for a future import terminal, and purchases of machinery and transport equipment.

Environmental Regulations

PGI's operations are currently compliant in all material aspects with the applicable environmental regulations and standards. However, there can be no assurance that Philippine regulators will not impose additional or more stringent regulations on the gas industry in general or on PGI and its operations in the future that could significantly affect PGI's costs of sales or operating expenses.

The Company's real estate operations are subject to various laws enacted for the protection of the environment. PC has complied with all applicable Philippine environmental laws and regulations. It is mandated to secure an Environmental Compliance Certificate from the Department of Environment and Natural Resources. Non-compliance with the stipulations embodied in the said certificate will cause its suspension or revocation and a fine not to exceed fifty thousand pesos (P50,000.00) for every violation. The Company believes that compliance with such laws is not expected to have a material effect upon its capital expenditures, earnings or competitive position.

Major Risk Factors and their Management

Major risk factors in PC's real estate business and their management

The parent Company's principal business is the development and sale of memorial park lots, a real estate business, and may involve the following risks:

1. Risk of over-optimistic estimation of an area (for a new memorial park development) in terms of the achievability of sustainable revenue and profit and the shortness of period taken to reach such sustainability for the new park. The said risk is avoided by doing a careful study of the area using criteria that measure the stability and growth of the local market's buying capacity and the robustness of the area's economy. The area is assessed in terms of number of existing/competing memorial parks, mortality rate and population growth, levels of net income and wages, capacity for steady employment, which is dependent on the area's capability and potential for business and industrial growth/expansions. The area's economy is likewise assessed as to what extent it is affected by the country's economic climate and growth.

2. Risk of decline in revenues and profitability, if not income loss, usually due to a combination of: a) competitors' pricing tactics and marketing/sales efforts that tend to reduce the Company's market share; b) local market's unanticipated feeble response to designed marketing/sales programs; c) creeping or unabated inflation causing increased operating expenses and low sales since purchase of memorial lots is regarded by many as low priority expenditure; d) ingrained cultural practices like backyard burial. This risk is addressed and mitigated by the following:

    a) The Company has firm belief and pride in the exceptional quality of its products and services relative to its competitors, and has a strong commitment to its customers in maintaining such superior quality. Such commitment and consistency of higher quality entail costs, a prime reason why the Company's products are priced above those of the competitors. Through the Company's park business managers and sales people, the prospective or target customers are educated on why the Company's products are priced higher than the competitors'. Further explained to these customers, are the benefits of buying such products from a Company that is dedicated to consistent high product quality and has long and significant experience in the development and management of memorial parks. Notwithstanding a higher-priced product, the Company's prospective buyers can purchase the same by way of 'soft and easy terms', as majority of its customers had done so, whereby they pay via instalment payments with no downpayment or interest charge for as long as three to five years.

b) Management regularly meets at least twice a year with its regional operations officers and all its park business managers to actively discuss and evaluate, among many other things, how the market reacts to the Company's current marketing strategy and sales programs and decide decisively on what manner of response or plan of action is to be undertaken.

c) Pricing of the products and services are adjusted, when necessary or called for, to a calculated level (such as discounts given) so that it will not negatively impinge on the buyer's decision to buy. Management believes that the price of memorial lots and other services should be indexed against the inflation rate.

d) On backyard burials, the Company continues to lobby with the municipal office of the area concerned to pass a specific ordinance banning such practice since there are laws (e.g., Code on Sanitation, P.D. No. 856) that prohibit such burials because of public health hazards.

3. Risk of a reduced capacity to continually maintain the park to its committed first class standards. Other than the regular increase in price to cope with inflation, this is addressed by increasing the charge on contribution to the park maintenance fund, which forms part of the gross price of the memorial lot. Separately though, and when necessary, the memorial park association(s) imposes an assessment on the lot owners who after all are the stakeholders of the memorial park. Without this assessment(s), a situation leading to the deterioration of the park's maintenance could ensue, which absolutely cannot be allowed given the Company's avowed commitment and responsibility to maintain the memorial parks at set standards. Such commitment and assurances benefit the lot owners and users of the park as their investment are protected in the long run.

4. Risk of other developers putting up their memorial park despite limited market.

Major risk factors and their management in PGI's LPG and industrial gas business

PGI, the parent Company's subsidiary, is primarily engaged in the distribution and sale of LPG and industrial gases, mainly oxygen and acetylene. Since these are highly flammable gas products, the obvious principal risk is an operational one and relates to the hazards of handling and storage of these products. The particular risks involved are: (a) potential injury to people; (b) damage to property; (c) damage to environment; (d) or some combination thereof. The business losses arising from a disastrous consequence of any of these hazards are significant and could amount to several times that of the actual damage / losses and can further result in a longer-than- expected business interruption in any of PGI's refilling plants or terminals. Hazards can be due to any, or a combination, of the following: (1) intrinsic property of the product; (2) catastrophic ruptures/leakages; (3) unsafe refilling and receiving activities; (4) failure of safety valves; (5) un- requalified fire-protection equipment or devices; (6) potential sparks from presence of gasoline-fueled vehicles during refilling and receiving activities; and, (7) discharge of LPG to the atmosphere because of leak(s).

Mitigation of the above risks is done through consistent and systematic application of management policies, procedures and practices concerning safety. There are continual tasks on analyzing, evaluating and controlling the different types of risks involved. Having identified and evaluated the risks, decisions are made on how acceptable the risk might be and the need for further actions to be undertaken, either to eliminate the risks or reduce them to a tolerable level. Risk management includes such elements as identification of possible risk reduction measures (which could be preventive or mitigative) and risk acceptability. PGI's risk management and mitigation system covers at least the following areas:

- Continuous identification of hazards and consequence analysis thereof (utilizing the *Structure What If Technique* or 'SWIFT');
- Fire prevention and fire-protection management program;
- Regular emergency response training and drill, and continued evaluation thereof;
- Maintaining operating standards in relation to safety practices and requirements and fire-preventive measures; and
- Training and continuing education of its personnel on safety and risk management

Major risk factors and their management in Pryce Pharmaceutical Inc.'s Business

PPhI operates in the distribution and sale of pharmaceutical products, mainly in vitamins and food supplements. Among the major risks involved in the business and in its industry are:

1. Dependence on Toll Manufacturers
   PPhI purchases its products from different licensed medicine and pharmaceuticals traders and toll manufacturers. However, there are numerous circumstances beyond PPhI's control that lead to delays in the manufacturing and delivery of orders. This increases the risk of disruptions in the company's supply chain should the toll manufacturer encounter operational issues and backlogged orders. In order to address this, PPhI has developed a robust procurement system ensuring the continuity of supply for extended periods despite delays in manufacturing and delivery. PPhI is also exploring further diversification of its suppliers by acquiring new products from other toll manufacturers, and even importing from other countries.

2. Perishable Nature of Pharmaceutical Products
   Most of PPhI's products have shelf lives of two years, and distributors and retailers have requirements when it comes to the remaining shelf life of any orders. For the most part, any inventory with a remaining shelf life a year or less becomes unsellable without heavy promotions or discounts, thereby significantly affecting profitability. PPhI manages this by executing a FIFO system and balancing its procurement with its forecasts based on seasonality and historical performance in order to ensure that the competing risks oversupply and undersupply are addressed. PPhI takes full advantage of the time available for selling its products such that near expiry stocks are minimized and there are enough safety stocks to avoid outages.

3. Commoditized Industry and Low Barrier to Entry
   PPhI experiences competition from major national and multinational pharmaceutical firms as well as numerous small and medium sized drug distributors. The availability of medicine traders and toll manufacturers to smaller pharmaceutical firms allow them to compete at a similar level to PPhI and offer similar products. This creates a market with numerous players competing for market share offering homogenous products, creating a very difficult environment. PPI has tried to differentiate itself by leveraging on the popularity of the "Pryce" brand for key markets and committing to increased marketing activities. PPhI has also separated itself from smaller brands by investing in an

above-the- line marketing campaign to increase brand awareness.

The discussion on Financial Risk Management is incorporated by way of reference to relevant parts of Notes to the audited Financial Statements (see Note no. 35), under the heading *Financial Risk Management: Objectives and Policies*.

PROPERTIES

Completed Projects

The projects that the Company has previously reported and have long been completed, are: Wright Park Place Condominium, a 3-building cluster of 63 first class residential condo units in Baguio City; and Villa Josefina Subdivision, a mid-scale residential subdivision in Davao City consisting of 152 residential and 2 commercial lots. It has also completed and sold the Josefina Town Center in Davao City. The company's other completed projects are enumerated below.

Cagayan de Oro Gardens

This is the first memorial park project developed by the Company, located in Lumbia, Cagayan de Oro City, with a wide frontage along the national highway. The project site is blessed with a scenic view of the Lumbia hillsides as well as part of the city and Macajalar Bay in the distance. The Cagayan de Oro River meanders at the bottom of a ravine adjacent to the property. The site has a total gross area of 20.76 hectares, of which total saleable area is estimated at 135,390 sq.m., equivalent to about 55,491 lawn lots, with an average size of 2.44 square meters per plot.

Development works commenced in June 1993 and the project began selling activities in April 1994. The general vicinity of CDO Gardens was relatively sparsely populated in 1995. At present, however, various residential subdivisions, ranging from very upscale to mid-level and to low-cost dwellings have sprouted in the area, making the park very accessible to its immediate target market. Even the largest mall in the city, SM City Mall, is located nearby.

Puerto Heights Village

This project was launched in August 1995 as an upscale residential subdivision in Cagayan de Oro City. It is a 14.9 hectare property in scenic Puerto overlooking Macajalar Bay. The site is considered very strategic, being located near the junction of two major national highways – one going to Bukidnon and Davao and the other one passing through Tagoloan, Misamis Oriental where a major international seaport terminal is in operation and the Philippine Veterans Investment Development Corporation (Phividec) Industrial Estate is located.

Pryce Tower

The Pryce Tower Building commenced construction in December 1995 and became the first high-rise condominium project in Mindanao. It is a 16-level first class building on a 1,965 sq.m. lot located at the Pryce

Business Park in Bajada, Davao City. The building has 89 office suites with areas ranging from 106 to 390 sq.m. and two basement levels for parking. The building was completed in February, 1999.

Socialized Housing Projects

The Company has two low-cost housing projects as its contribution to government efforts to address the housing problem in the country. The first project is Mindanao Homes in Pagatpat, Cagayan de Oro City, which has been completed. The other one is St. Joseph Village, which sits on an 11- hectare property in Sirawan, Davao City with 356 House-and-Lot units and 496 Lot units.

Villa Josefina Resort Village

This mid-to-upscale residential development is located on a 36.4 hectare property in Dumoy, Davao City. It has a beachfront along the Davao Gulf and a frontage along a national highway where the main entrance is located. The initial 23 hectares of the project comprising Phases I and II provide a total of 570 residential lots with an average size of 300 sq. m. per lot. Phase III, which comprises the beachfront area, measures some 13.4 hectares with a total of 174 saleable lots. Phase IV, with an area of 0.986 hectares, consists of smaller lots totalling 44, some of them containing housing units for the mid-scale market.

Pryce Business Park, Davao

The Company has a 1.8-hectare prime property in the highly commercialized area of J.P. Laurel Avenue in Bajada, Davao City, diagonally across Victoria Plaza, a large shopping mall in the city. PC developed this property into a commercial cluster called Pryce Business Park. The development consists of 15 subdivided commercial lots with areas ranging from 600 to 1,965 sq. m. per lot. Construction of this business park was fully completed in 1997.

Pryce Plaza Hotel, Cagayan de Oro City

Pryce Plaza closed its operations on December 31, 2016. It was a premier business and convention hotel and was in operation for almost 26 years since it opened in April 1991. The hotel is located atop Carmen hill in Cagayan de Oro City and overlooks the city. Management decided to stop its operations as it has not been providing the desired returns the past years due mainly to the stiff and growing competition, which was compounded by the increasing costs of having to maintain an old hotel.

Essentially Completed Projects

Maria Cristina Gardens

This is the second memorial park project of the Company, which is named after the most famous waterfalls in Mindanao, the Maria Cristina Falls. This memorial park somewhat takes on the character of the original landscape because it was built basically around the natural topography of the site. It is located in Sta. Filomena, Iligan City on a 27.6 hectare property with a hilly terrain offering a panoramic view of Iligan Bay on one side and the city proper on the other. Its development plan replicates the facilities and amenities of Cagayn de Oro Gardens. Considering that Iligan City has no first class memorial park, demand for private burial plots has been holding steady.

Development works for Phase 1 commenced in Februrary 1996 while development of Phases II and III began In August 1996. As of date, all these phases are all fully or essentially completed, containing an area of 21.6 hectares. An additional 6.0 hectares are for development under Phase IV of the park is still under the planning stage. Selling activities began in October 1996.

Zamboanga Memorial Gardens

This was designed in the same tradition as the Company's other memorial park projects in Cagayan de Oro and Iligan. It is PC's most ambitious memorial park project in terms of size, being located on a 49.16-hectare property in Sinunuc, Zamboanga City. The site also offers a panoramic view as it nestles on an elevated terrain overlooking the Zamboanga west coast, which is just a street across the site.

Development of Phase I commenced in July 1997, which was later divided into two phases, Phases I-A and I-B of 9.5 hectares and 9.7 hectares, respectively. These initial phases of the project, aggregate 19.24 hectares, with total saleable area of 103,988 sq.m. and equivalent to 41,595 lawn lots. The development of the second phase began in the early part of 2003. It has a gross area of 29.92 hectares, the saleable portion of which is 154,590 sq.m., equivalent to about 61,836 lots. Only about half of the second phase is essentially completed as of date, in terms of electrical, lighting, pathwalks, roads and landscaping works.

North Zamboanga Gardens

This is PC's fourth memorial park project. It sits on a 25.19-hectare property alongside the Dipolog River in Polanco, Zamboanga del Norte, within convenient driving distance from Dipolog City. A waterway passes through the park - a rainwater channel which empties into the Dipolog River – forming ponds and giving the project a unique alluvial character.

The first 10 hectares of the project commenced development in October 1997 and was completed in 1999; subsequently, in 2000, another area of 9.36 hectares was developed, while 4.19 hectares at the back was reserved for future development. Presently, the total saleable area measures about 137,350 sq.m., which is equivalent to 54,943 equivalent lawn lots. In 2008, the Company acquired an additional 1.6-hectare property adjacent to the park, which is reserved for future development.

Ozamiz Memorial Gardens

This fifth memorial park project of the Company became operational in late 2001. It is located on a 9.32-hectare property along the national highway connecting the cities of Ozamiz and Tangub within the barrio of Dimaluna, Ozamiz City, and against the backdrop of Mt. Malindang. This project commenced development works in December 1999 and became essentially completed in December 2002. Selling operations for this project began in 2000.

Mt. Apo Gardens

Mt. Apo Gardens is the Company's sixth memorial park, named after the tallest mountain in Mindanao, which is highly visible from the site, is located in what was originally an 18.1 hectare property in Riverside, Calinan, Davao City; this project is essentially completed and has a currently- identified saleable area of 109,430 sq.m., equivalent to 43,772 lawn lots. An area near the entrance gate alongside the main access road has been reserved for future development. Properties adjacent to the park were subsequently acquired (8,539 sq.m. in August 2003 and 8,540 sq.m. in December 2002), with a total area of 17,079 sq.m., increasing the gross area of the project to 19.81 hectares.

The project secured approval from the city government to proceed with development works after a long wait of several years. Mobilization and preparatory works began in September, 2000 and were essentially completed in June 2002.

Pryce Gardens CDO-Manolo Fortich

In May 2004, construction of the Company's first so-called "boutique" (or "smaller") memorial park began in Mambatangan at the northeast boundary of Cagayan de Oro with Manolo-Fortich, Bukidnon. The project is divided into three phases and is designed to yield a total saleable area of 96,250 sq.m. roughly equivalent to 39,446 lawn lots from a total land area of 12.14 hectares. The project's first phase is 95% complete with a small amount of remaining works to be finished in its water and electrical systems. The total saleable area under Phases I and II is 68,840 sq.m., which is roughly equivalent to 28,214 lawn lots. As stated above this project was reclassified by management from a boutique to a "Class A" park.

Pryce Gardens-Malaybalay

This is the second boutique memorial park project of the Company, construction of which began in March 2005. It is located in Brgy. Laguitas, Malaybalay City, Bukidnon, with a gross area of 4.94 hectares and a total saleable area of 36,846 sq.m., equivalent to 15,101 lawn lots. The project has hilly terrain and was essentially completed on March 31, 2007. The site has a commanding view of the hillsides and rolling terrain of Malaybalay and Valencia. In fact, it is located between Malaybalay and Valencia, enabling the project to tap the market in both locations. This project was likewise upgraded to a "Class A" park.

Pryce Gardens-Malita

Pryce Gardens-Malita is a boutique memorial park in the Company's portfolio. Construction also began in March 2005. The project is located in Bgry. Bolita, Malita, Davao Occidental and has total land area of 6.17 hectares, of which only 2.91 hectares is fully developed. The project has a scenic view of the surrounding hillsides. Total saleable area is estimated to be 44,255 sq.m. (Phases I and II) which translates to 18,064 equivalent lawn lots. The project has two phases, Phase I and Phase 2 and they are 100% and 85% accomplished, respectively.

Pryce Gardens-Bislig

Also classified as a boutique memorial project of the Company, this is located in Kahayag, Bislig, Surigao del Sur. Construction for this project began on June 14, 2005 and was essentially completed by end of 2006. The land has a gently rolling terrain similar to Pryce Gardens-Malaybalay with a gross area of 5.76 hectares and saleable area of 37,848 sq.m. equivalent to 15,415 lawn lots.

Pryce Gardens-Alabel

Another boutique memorial park of the Company is located in Alabel, Sarangani, almost adjacent to the town's public cemetery. The site is also a short travelling distance from General Santos City. Its construction began in February 2007 and was operational by the time it was formally launched in April 2008. The park has a total land area of 4.9 hectares and offers a saleable area of 35,625 sq.m. or 14,549 equivalent lawn lots.

Pryce Gardens-Pagadian

In June 2014, the 5-hectare Phase 1 of *Pryce Gardens-Pagadian* project was completed and became operational. Phase 1 has a total saleable area of 36,612 sq.m., roughly equivalent to 14,650 lawn lots. Roads and path walks account for 9,800 sq.m. while the chapel, parking areas and open space consist of 2,052 sq.m. This project occupies an 8.96-hectare land nestled on the hillsides of Bgy. Poloyagan overlooking Iliana Bay, the Pagadian seaport, and parts of the city across the bay. It is in the southern part of the city and can be reached through 7 kilometers of well-paved road.

Pryce Gardens-Butuan

This is the latest addition to the Company's memorial parks and is located on a 6.19-hectare property in Brgy. Bit-os, at the southwest portion of the city. The property has a hilly terrain and is elevated, which gives it a commanding view of the Agusan River and a portion of Butuan city. This project was developed to have a total saleable area of 33,120 square meters, roughly equivalent to 13,524 equivalent lawn lots. Roads and path walks will cover 8,611 sq.m. while the chapel, administrative and parking area will consist of 3,212 sq.m. (This park was inaugurated on January 25, 2019.)

Other Properties

The following table provides information on the Company's land bank consisting of properties that are 100% owned (unless otherwise stated). The Company's land bank includes some lands still in the name of third parties but already sold to the Company based on documents of conveyance.

Location		Total Area (sq.m.)
Cagayan de Oro City		
	Bugo	327,904
	Tin-ao	138,654
	Del Carmen	11,937
	Mambatangan	542,291
Misamis Oriental		
	Tagoloan*	450,000
	Sta. Ana	1,378,993
Malagos, Davao City		578,576

Polomolok, South Cotabato	67,521
Total	3,495,876

**Jointly owned with the heirs of the late Raul R. Solidum*

Joint Venture

The Company had been involved in joint venture arrangements covering the development of raw land adjoining the Company's properties such as the Villa Josefina Resort Village project. Under the terms of the separate agreements, the Company's partners were to contribute their respective properties as equity in the joint venture. In turn, the Company would undertake the development of all access roads, utility systems and open space facilities and the marketing and selling of the lots.

Another joint venture arrangement involved the Pryce Tower in Davao, for which other parties contributed roughly 30-35% of development cost.

LPG Plants

By strategically locating its facilities (marine terminals and refilling plants) near major population centers, PGI was able to build an extensive supply distribution infrastructure that successfully supported its efforts in making PryceGas a household name in the local LPG market, particularly in the Vis-Min regions.

In selling PryceGas, PGI divided Vis-Min into ten marketing regions namely: Northern Mindanao, Southern Mindanao 1, Southern Mindanao 2, Eastern Mindanao, Western Mindanao 1, Western Mindanao 2, Central Visayas, Western Visayas 1, Western Visayas 2, and Eastern Visayas.

The marketing operations of Northern and Southern Mindanao, together with the Caraga Region (comprised of Butuan and Surigao provinces), are currently supported by sea-fed terminals with storage capacities of 3,200-MT and 3,400-MT located in Balingasag, Misamis Oriental and Sta. Cruz, Davao del Sur, respectively. To serve the market in Western Mindanao, PGI has an expanded 2,950-MT storage marine terminal in Zamboanga City. Aside from these import terminals, PGI also has refilling plants in the following areas (including those built in 2018): Butuan, South Cotabato, Zamboanga del Sur, Davao del Norte, Misamis Oriental (Mohon), Davao City (Calinan and Dumoy), Mambatangan-CDO, and Bukidnon. These refilling plants are within convenient shipping distances to large population centers and will also serve the remote markets, thus ensuring its customers a ready supply of PryceGas. (*Note: The terms sea-fed terminal or import terminal or marine terminal, as used herein, are synonymous with each other.*)

Applying the same strategy for the Visayas, PGI built a 3,990-MT (expanded capacity) storage import terminal in Sogod, Cebu to serve the growing LPG markets in Cebu and Bohol. To cover the Eastern Visayas markets, there is a 3,000 MT storage import terminal in Albuera, Leyte. Two 2,900-MT (expanded) storage import terminals were each constructed in Ayungon, Negros Oriental and Ajuy, Iloilo to cover the Central Visayas and Western Visayas Markets, respectively. The company had previously constructed several refilling plants in Pavia, Iloilo; Silay, Negros Occidental; Canduman and Naga in Cebu; and Tacloban, Leyte.

PGI had eyed Luzon as the desirable yet challenging market to break into. After scouting for a feasible property in Northern Luzon, it finally chose one in the coastal area of San Fabian, Pangasinan. So that in mid-2013, it was able to build its initial 4,200-MT (gross capacity) marine-fed LPG storage therein, consisting of two (2) tanks with gross capacity of 2,100 MT each. Two more tanks were built: one in March

2014 and another in February 2016, bringing San Fabian's total storage capacity to 8,500 MT. On refilling plants in Luzon and certain parts of NCR, PGI has, as of December 31, 2018, a total of 35 refilling plants in various locations, with storage capacities ranging from 25 to 120 MT.

The aggregate LPG storage capacity of PGI thru its sea-fed or marine terminals and inland refilling plants is 33,609 MT which is distributed across the country as shown below.

Type	Region Location	Number	Capacity (MT)
LPG Marine Terminal	Luzon	1	8,500
	Visayas	4	12,790
	Mindanao	3	9,610
	Sub-totals	8	30,900
LPG Refilling Plants	Luzon	35	1,784
	Visayas	6	365
	Mindanao	11	560
	Sub-totals	52	2,709
		Total	33,609

The counts on refilling plants include the marine terminals as these also perform refilling functions.

Encumbered Assets

Over the period that the Company was in corporate rehabilitation, it was able to settle its debts with the creditor banks in a gradual manner through the following: a) implementation of the court- approved rehabilitation plan; b) pursuance of effective legal defences against the opposition of two creditor banks, BPI and CBC, to PC's rehabilitation; and c) settlement with certain creditors via sale of an encumbered asset with the consent of the Commercial Court. PC's rehabilitation proceedings would have been consummated much earlier were it not for the opposition of the said two banks which went all the way to the SC with PC eventually winning the final rulings in that court.

Previously encumbered properties under the Mortgage Trust Indenture (MTI), which secured the Company-issued LTCP's in December 1995 (at aggregate amount of Php 300 Million) were released in January 2016, months after PC's rehabilitation proceedings was terminated in July 2015. Earlier in August 2014, a portion of the of the MTI collaterals (Davao commercial lots) was released after the consent / approval of the majority creditors was obtained as a consequence of the settlement of a significant portion of the LTCP loan.

The assets earlier mortgaged to CBC (as part of the collateral of the Company's P200 million loan line with said bank) have been released from mortgage. Comprising these assets are the following: 30 office condominium units at the Pryce Tower in Davao City; 34 residential lots at Puerto Heights Village in Cagayan de Oro City; 5-hectare lot in Cagayan de Oro Gardens; 11,937-sq.m. undeveloped property in Brgy. Del Carmen, Cagayan de Oro City; 31 residential lots at Villa Josefina Resort Village (Phase III) in Davao City; and 4 lots in Mt. Apo Gardens, Davao City.

Assets which secured a short-term loan with the BPI have also been released from mortgage. The following properties comprise the previously mortgaged assets: 77,761-sq.m. semi-developed property, Iligan Town Center; and 5 subdivision lots in Puerto Heights Village in Cagayan de Oro City. In September 2014, the Iligan property was sold to a mall developer and the sales proceeds were used in the settlement of the aforesaid loan thereby causing said release from mortgage. (Earlier mortgaged to BPI too were 5 residential lots at the Villa Josefina Resort Village, Davao City; however, BPI filed extra-judicial foreclosure on these properties and eventually were auctioned off on February 26, 2004. The proceeds of the said auction were applied to the reduction of the Company's obligation with BPI.)

LEGAL PROCEEDINGS

The Company and PGI are party to pending cases and believe they have meritorious causes of action and defenses with respect to all pending litigation and intend to defend the actions vigorously. Moreover, its directors and officers have no knowledge of any other proceedings pending or threatened against the Company and PGI or any facts likely to give rise to any proceedings that might materially affect the position of the Company. Enumerated and discussed below is the status of various pending cases as of April 30, 2019. Apart from the cases enumerated below, PC and PGI are likewise involved in other legal cases that occurred under the ordinary course of business and do not materially affect the parent Company's or PGI's operations as whole.

1. ***Pryce Corporation vs. Raul P. Solidum, et al.***
   Civil Case No. 98-571, Branch 17, RTC of Misamis Oriental

   Nature: This is an action for "Specific Performance" against the Solidums relative to the 52 hectare lot at Casinglot, Tagoloan, Misamis Oriental. PC originally entered into a Memorandum of Agreement with the Solidums, thru their attorney-in-fact, Atty. Purita Ramos, whereby the Solidums undertook to sell to PC the property, conditioned upon the removal of the squatters and conversion of the property into industrial/commercial use. The Solidums failed to remove all the squatters, was unable to obtain the conversion, and execute the deed of sale, despite PC's advances of about PhP8million. PC caused a lis pendens annotated on the subject title relative to herein Civil Case No. 98-571. In September 2006, the parties executed a compromise Memorandum of Agreement as a way to break the legal stalemate.

   Status: The Compromise Memorandum of Agreement is still subsisting and the parties continue to observe the terms thereunder.

2. ***Sotero Octobre vs. Pryce Corporation and China Banking Corporation***
   HLURB Case No. LSS-X-REM 518-04-008
   HLURB Cagayan de Oro and Board of Commissioners

   Nature: This is a case for rescission of contract with damages. The action was instituted by Octobre due to the failure of PC to execute the deed of sale and transfer of title over the lots purchased at Puerto Heights Village. PC alleged that it was prevented due to the fact that receivables on the payment of the lot were assigned to China Banking Corporation, with the transfer certificate of title on said lot being held by the China Banking Corporation.

   Status: A decision was rendered by the HLURB Board of Commissioners which, aside from requiring the refund of **P4,292,297.92** with legal interest in the event of failure or refusal within 30 days by the Company to deliver the title, in addition, required PC to pay damages, attorney's fees and cost of suit totaling **P82,868.12**. On December 7, 2016, the Supreme Court rendered a Decision which in effect modified the HLURB Decision in that nominal damages in the amount of Php30,000 were awarded in lieu of damages. On July 2017, Sps. Octobre filed an Urgent Ex-Parte Motion for Immediate Execution with the HLURB Regional Office. On 21 May 2018, the HLURB Arbiter issued an Order directing the issuance of a Writ of Execution. On 17 July 2018, the HLURB Sheriffs issued a Notice to Comply to PC. PC then voluntarily paid the judgment award in compliance with the Notice to Comply of the Sheriff. With this development, the HLURB Arbiter issued an Order considering the case CLOSED and TERMINATED.

3. ***Ponce vs. Pryce Corporation, et al.***
Case No. G.R. No. 206863
Supreme Court, Second Division

Nature: This is an action for quieting of title filed by Vicente Ponce, whose title overlaps with that of PC over a 4.8 hectare portion of property in Iligan City, over which PC operates and maintains the Maria Cristina Gardens Memorial Park. Ponce obtained his title from Solosa, whose title was derived from an alleged Homestead Patent that was administratively reconstituted. PC meanwhile obtained its title from the Quidlat sisters, whose title was adjudged by a cadastral court. The RTC ruled in favor of Ponce, upholding his title over the contested portion. On appeal, the CA sustained the trial court's ruling. PC filed a Petition for Review on Certiorari with the Supreme Court, to which Ponce filed his Comment.

Status: In February 2014, PC filed a motion for leave to file its Reply to the Comment of Ponce. The Supreme Court granted PC's motion. PC is now awaiting the Supreme Court's further action on this case. Meanwhile, Vicente Ponce had passed away and his heirs had filed for substitution as party-litigants in the case, which the Supreme Court granted thru its resolution dated January 10, 2018.

4. ***Pryce Corp. vs. Solicitor General, et al.***
Civil Case no. CV-ORD-2015-215
RTC-Cagayan de Oro City, Branch 17

Nature: PC is asking the Court to render an interpretation of Section 4 (a) 9 of Republic Act no. 7432 (also known as "Senior Citizens' Act", as amended Republic Act no. 9257 and as further amended by Republic Act No. 9994 to the effect that it does not include interment services as being covered by the 20% discount to be availed of by the deceased senior citizen or his/her heir(s).

Status: The Court rendered judgment in favor of Pryce Corporation. The Solicitor General filed a motion for reconsideration which was denied by the Court. The Solicitor General then elevated the matter to the Supreme Court for review.

5. ***National Grid Corporation of the Philippines vs. Pryce Corporation***
Special civil action no. 769
Regional Trial Court, Zamboanga City, Branch 14

Nature: This is an EMINENT DOMAIN case filed by NGCP pertaining to a portion of the property of the PRYCE CORPORATION (PC) located in Zamboanga City known as lot no. 3353 covered by Transfer

Certificate of Title no. T-134,567 of the Registry of Deeds of Zamboanga City and developed by the herein defendant corporation into a Memorial Park. The aforementioned case has been docketed as Civil Case no. 769 pending before the Branch 14, Regional Trial Court, Zamboanga City. After postponements made by both parties due to their inability to attend for reasonable causes, the Court set the pre-trial date to January 18, 2018.

Status: During the hearing for pre-trial on 18 January 2018, NGCP's counsel appeared and moved for more time to take up with NGCP's management the proposal of PC for just compensation and to seek approval of any counter-proposal. The Court granted the motion and gave NGCP's counsel fifteen (15) days from 18 January 2018 to file said pleading. However, it appears that NGCP's counsel failed to comply. Then, on 10 July 2018, PC's counsel received an "Entry of Appearance" from a law firm indicating that NGCP had changed its counsel of record.

Cases involving directors and officers of Pryce Corporation and Pryce Gases, Inc.*:*

The disclosure hereunder notwithstanding, it must be emphasized that these cases were filed due to alleged malfeasance by the said directors/officers in their capacity as such and allegedly in connection with the performance of their official functions.

1. ***Pilipinas Shell Petroleum Corporation versus Pryce Gases, Inc. (PGI), et al.***
I.S. No. 2005-56 for Trademark Infringement, Unfair
Competition, Violation of BP 33, Theft and Estafa.
Department of Justice, Manila.

Nature: The directors and officers of Pryce Gases, Inc. were implicated in this case because of the alleged existence of conspiracy. Neither the directors nor the officers issued any directive whatsoever, much less, passive acquiescence to commit fraud or crime for that matter. There is no basis, therefore, for the allegation of conspiracy.

Status: A Resolution was released by the DOJ dismissing the case. Pilipinas Shell filed a Motion for Reconsideration (MR). Accordingly, PGI filed its Comment and/or Opposition thereto. After Shell filed its Reply to the Comment and/or Opposition, PGI filed a Rejoinder thereto. PGI is still awaiting the resolution of Shell's Motion for Reconsideration.

2. ***LPGIA versus the Directors & Officers of Pryce Gases, Inc. and/or Oro Oxygen Corp.***
Provincial Prosecution Office of Rizal
NPS Docket No. XV-18M-INV-15H-03386
Trademark Infringement, and Violation of BP 33 and RA 623
Department of Justice
OSEC-PR-RZL-2-051216-001

City Prosecution Office of Taguig
Trademark Infringement, and Violation of BP 33 and RA 623

Nature: The Complaints were filed indiscriminately against all the directors and officers of PGI and OOC because of presumed consent and acquiescence to commit the offenses. There is no allegation in the Complaints however that alleges with particularity the identity of offenders or how the offender is connected with the companies, much less the actual personal participation its board of directors and officers in the alleged commission of the offenses. Complainant further bases its Complaint, among others, on noticeably intercalated invoices, for which countercharges of falsification have been filed.

Status: The Department of Justice partially granted LPGIA's Petition for Review and indicted additional respondents for violation of BP33. PGI officers and LPGIA filed their respective motions for partial reconsideration. These are pending before the Department of Justice.

3. ***LPGIA versus the Directors and Officers of Pryce Gases, Inc.***
Petron Corporation versus the Directors and Officers of Pryce Gases, Inc.
NPS Docket Nos. XV-03-INV-17-H-3149 to 3150, XV-03-INV-17C-0909 to 0912
Trademark Infringement, Unfair Competition, and Violation of BP 33 and RA 623
Office of the City Prosecutor of Cavite City

Nature: Like in the foregoing Taguig case, the Complaints were filed indiscriminately against all the directors and officers of PGI because of presumed consent and acquiescence to commit the offenses, without allegation in the Complaints that particularly identifies the offenders or how they are connected with the company. Much less is there any showing of the actual personal participation its board of directors and officers in the alleged commission of the offenses.

Status: The cases with docket numbers XV-03-INV-17H-3149 to 3150 are deemed submitted for resolution. The cases with docket numbers XV-03-INV-17C-0909 to 0912 were dismissed as far as the Board of Directors and executive officers of PGI are concerned. However, cases for BP 33 were recommended to be filed against PGI cashier and refilling staff.

4. ***LPGIA versus the Directors and Officers of Pryce Gases, Inc.***
NPS Docket No. II-07-INV-171-05786
Trademark Infringement and Violation of B.P. 33
Office of the Provincial Prose cutor of Bayombong, Nueva Vizcaya
Department of Justice

Nature: Similarly with the foregoing cases, complaints were filed indiscriminately against all the directors and officers of PGI because of presumed consent and acquiesce to commit the offenses.

Status: The cases were dismissed as against all directors and officers but for Mr. Rafael Escaño, as president of Pryce Gases, Inc., the charge being based solely on his position as such without showing any actual consent by to the commission of the offense, much less any participation therein. On that basis, Mr. Rafael Escaño filed a Petition for Review with the Department of Justice where the case is currently pending.

5. ***Eastern Petroleum Corp. versus Efren A. Palma***
NPS Docket No. XV-03-INV-16H-2849
Provincial Prosecution Office of Cavite
Violation of BP 33 and RA 8293

Nature: Mr. Palma only became aware of the above-captioned Complaint when he received the Resolution of the prosecutor in January of 2017. It is apparent from the records of the case that notices and other papers were delivered to the **wrong address** except, strangely, for the Resolution itself, which was delivered to the correct address**.** As such, Mr. Palma was not able to deny any wrongdoing by the company as alleged in the complaint and present his defenses, including especially that he is **not the President of Pryce Gases, Inc.,** nor is he managing the erring refilling plant or personally involved in the day-to-day operations of the company. It would have been easily verifiable from the public documents, which were attached to the complaint itself, that Mr. Palma's position in Pryce Gases, Inc. is as Chief Financial Officer.

Status: On motion for reconsideration, the resolution was reversed and charges against Mr. Palma have been dismissed. Countercharges for perjury have likewise already been filed against the complainant.

OPERATIONAL AND FINANCIAL INFORMATION

MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's shares are listed in the PSE. The table below shows the quarterly high and low prices PC's shares (stock symbol: "PPC") traded for the year 2018 and for the first quarter of 2019.

Year	High	Low
2018		
First Quarter	6.80	5.80
Second Quarter	6.28	5.80
Third Quarter	6.89	5.65
Fourth Quarter	6.00	5.04
2019		
First Quarter	6.13	5.75

Trading of PC's shares was suspended on two occasions, both of which pertain to the Company's corporate rehabilitation. The first was shortly after the Company filed its petition for corporate rehabilitation with the Commercial Court on July 9, 2004. This suspension was subsequently lifted on January 26, 2005 after the Commercial Court approved the company's corporate rehabilitation plan on January 17, 2005. The second suspension came on June 5, 2006 as a result of the ruling of the CA on the petitions for review (of PC's rehabilitation plan approved by the Commercial Court) filed separately by creditor banks CBC and BPI before different divisions of that appellate court. These cases reached the SC and were resolved in favor of PC, which are discussed under the heading *Corporate Rehabilitation* in Item 1 of Part 1 above, of this report. On March 16, 2015, following the SC's favorable decision, trading suspension of PPC shares was lifted by the PSE, resulting in the active trading of the shares.

As of December 28, 2018 (the last trading date in that year), the market price of the Company's shares closed at P5.80 per share. Whereas as of May 31, 2019, the market price of the Company's shares closed at P4.95 per share.

Public Ownership of PC shares as of May 31, 2019

	% to Total Outstanding Shares	*Number of Shares*
Total Outstanding & Issued Shares	100%	2,013,226,500
Less:		
Directors	2.996%	60,329,016
Senior Officers	0.002%	40,099
Affiliates	22.86%	460,173,464
Sub-total	25.86%	520,542,579
Shares owned by the public*	74.14%	1,492,683,921

*Includes shares owned by a government entity

On Dec 13, 2017, the SEC approved the Company's request for increase in authorized capital stock from Two Billion Pesos (Php 2,000,000,000.00) divided into two billion (2,000,000,000) shares with par value of one peso (Php 1.00) per share to Two Billion Ninety-Eight Million Pesos (Php 2,098,000,000.00) divided into two billion ninety-eight million (2,098,000,000) shares with par value of Php 1.00 per share.

This action also allowed for the subscription by an affiliate of the Company (Josefina Multi-Ventures Corporation) to 24,500,000 shares at the subscription price of Php 5.00 per share under the placing and subscription transaction disclosed to the Philippine Stock Exchange on December 7, 2016, and, otherwise, to allow the company to expeditiously raise funds via stock subscriptions.

Holders

As of May 31, 2019, the company has 356 stockholders, with 95.32% of the outstanding shares being registered in the names of persons who are citizens of the Philippines or corporations or associations organized under the laws of the Philippines at least 60% of the capital of which is owned by Philippine citizens.

Top 20 Shareholders as of May 31, 2019

Rank	Shareholder's Name	No. of Shares	Percent to Total Outstanding
1st	GUILD SECURITIES, INC.	1,017,140,468	50.523%
2nd	PCD NOMINEE CORPORATION	565,979,542	28.113%
3rd	HINUNDAYAN HOLDINGS CORP.	160,708,000	7.983%
4th	PCD NOMINEE CORP. (NON FILIPINO)	94,055,952	4.672%
5th	PRYCE DEVELOPMENT CORPORATION	61,800,000	3.070%
6th	SALVADOR P. ESCANO	33,492,660	1.664%
7th	SOL F. ESCANO	27,909,000	1.386%
8th	JOSEFINA MULTI VENTURES CORPORATION	24,500,000	1.217%

9th	FOUR TREASURES DEVELOPMENT CORP.	4,808,616	0.239%
10th	CBC T/A #501-0091	4,528,720	0.225%
11th	JGF HOLDINGS, INC.	3,221,427	0.160%
12th	NOTRE DAME OF GREATER MANILA	2,300,000	0.114%
13th	PRYCE PLANS, INC.	1,830,000	0.091%
14th	SALVADOR P. ESCANO ITF PRYCE DEVELOPMENT CORP.	1,684,450	0.084%
15th	PRYCE SECURITIES, INC.	1,008,000	0.050%
16th	JACK &/OR FRANK GAISANO &/OR EDWARD &/OR MARGARET GAISANO	575,000	0.029%
17th	EDNA A. TORRALBA	490,000	0.024%
18th	CBC T/A #501-0091 FAO: PPI	450,000	0.022%
19th	FERNANDO L. TRINIDAD ITF PRYCE DEVELOPMENT CORP.	417,000	0.021%
20th	MBTC-TBG ATF T/A # LT-11-003-0894	405,000	0.020%

Dividend History

In 1994, the Company declared and paid cash dividends of P0.02 per share. In 1995, the Company declared cash dividends amounting to Php 0.04 per share to stockholders on record as of January 25, 1995 and Php 0.03 per share to stockholders on record as of September 10, 1995. These cash dividends were paid on February 8 and September 30, 1995, respectively.

In 1997 the Company declared a 15% stock dividend to stockholders on record as of April 10, 1997; these dividends were paid on April 16, 1997.

On November 11, 2016, PC's Board of Directors approved the adoption of a dividend policy wherein 50% of the prior fiscal year's consolidated net income after tax will be distributed in cash to the shareholders as dividends. Dividend declaration and payout will be subject to the requirements of existing laws and rules and regulations and may be restricted by circumstances such as, but not limited to the need for substantial capital outlays for expansion programs or working capital, its earnings, cashflow, financial condition, capital investment requirements and other factors. The Board may, at any time, revise this dividend policy depending on the results of operations and future projects and plans of the company.

The Company declared payment of cash dividends on December 22, 2017 (which it had not been able to do in more than 20 years) out of its unrestricted retained earnings as of June 30, 2017. Following such declaration of cash dividend, two more were made in 2018: June 7, 2018 and December 14, 2018, each at Php 0.12 per share, same rate as that in December 2017 and also out of its unrestricted retained earnings. The most recent cash dividend declaration, as of this writing, was the one declared on May 17, 2019, again with a rate of Php 0.12 per share, for stockholders of record date as of June 14, 2019 and payable on July 10, 2019, out of its unrestricted retained earnings as of Dec. 31, 2018.

Buy-back Program

On November 16, 2018, the Board of Directors of the Company approved the buyback of its common shares under the following terms:

- The buy-back program shall be for a term of 24 months commencing on November 20, 2018 up to November 19, 2020.
- The Company shall be authorized to repurchase up to Php 500 million worth of common shares.
- The buy-back program shall be executed in the open market through the trading facility of the Philippine Stock Exchange.
- Repurchased shares shall be booked as treasury shares.

The buy-back program shall be implemented in an orderly manner and should not adversely affect the Company's and its subsidiaries' prospective and existing projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Key Performance Indicators (KPIs)

PC and Subsidiaries (consolidated) based on audited FS

	2018	***2017***
% Growth in Revenues: 11.34%	Php 10.27 billion	Php 9.23 billion
% Sales Volume Growth (LPG): (3.97%)	201,826 MT	210,166 MT
Price movement (LPG):	Php 45.77/kg.	Php 39.93/kg.
% Growth in Gross Margin: 12.48%	Php 2,495.6million	Php 2,218.8 million
% Increase in Income: 12.06%	Php 1,403.0 million	Php 1,251.9 million
Current ratio	1.66	2.30
Total Debt-to-Equity ratio	0.42	0.36

PGI & OOC

	2018	***2017***
% Growth in Revenues: 10.54%	Php 10.002 billion	Php 9.048 billion
% Sales Volume Growth (LPG): (3.97%)	201,826 MT	210,166 MT
Price movement (LPG):	Php 45.77/kg.	Php 39.93/kg.
% Growth in Gross Margin: 10.29%	Php 2,311.4 million	Php 2,095.9 million
% Increase in Income: 15.16%	Php 1,326.9 million	Php 1,152.2 million
Current ratio	1.32	2.06
Total Debt-to-Equity ratio	0.40	0.30

PC (consolidated) for the interim period of 1st Qtr – 2019

	1st Qtr 2019	***1st Qtr 2018***
% Growth in Revenues: 9.03%	Php 2.565 billion	Php 2.353 billion
% Sales Volume Growth (LPG): 3.40%	50,990 MT	49,312 MT
Price movement (LPG):	Php45.39/kg.	Php43.43/kg.
% Growth in Gross Margin: 14.76%	Php 625.6 million	Php 545.2 million
% Increase in Income: 6.47%	Php 362.35 million	Php 340.33 million
Current ratio	1.86	2.39
Total Debt-to-Equity ratio	0.37	0.33

	Explanations/remarks
Revenue and Volume Growth	This is a measure of how the company is able to efficiently expand its operations and harness its resources (given its more-than-adequate storage and production capacities) to create more revenues and cash flows over time. It also reflects on the capability of management to grow the enterprise.
Price movement (LPG)	This is a major concern because over 90% of company revenues emanate from the sale of LPG, a product with volatile import cost and elastic demand with respect to price. This happens because the bulk of demand is driven by households buying LPG as cooking gas, households being a price-sensitive market (although recent trends seem to go against this pattern). The business is also subject to political pressures, being part of the oil industry.
Profitability: Gross Margin and Net Income	The ability to control cost and realize profits are always of paramount importance to an enterprise. In the case of the Company, it has limited control over the import cost of its largest product line, LPG, because the international contract price (CP) is established in the Middle East, so retail pricing is the key to profitability. Its industrial gas operations are profitable but the Company has to temper the movement in selling price to prevent inroads from competitors. The Company's real estate division (memorial parks) is a very-high margin operation but accounts for only a small percentage of revenues.
Liquidity: Current ratio and Debt-to-equity ratio	The importance of having cash and liquid assets to fund operating requirements, to purchase supplies/inventories, and to service maturing debts cannot be overemphasized.

Results of Operations and Detailed Discussion on Performance Indicators

<u>1Q 2019 compared to 1Q 2018</u>

PPC registered a 6.5% year-on-year increase in net income, from Php 340.3 million to Php 362.3 million for the first quarter of 2019. Likewise, consolidated revenues increased from Php 2.35 billion to Php 2.57 billion, posting a 9.03% growth from its comparable 2018 period. These growth rates were mainly brought about by the company's principal product, liquefied petroleum gas (LPG).

Liquefied Petroleum Gas (LPG) and industrial gases are products of Pryce Gases, Inc. (PGI) – a subsidiary of the parent company Pryce Corporation (PC). Real estate sales is under Pryce Corporation (PC); while vitamins and supplements are handled by Pryce Pharmaceuticals, Inc. (PPhI), also a subsidiary of PC. Oro Oxygen Corporation (OOC) is a subsidiary of PGI, which distributes LPG and industrial gases in Luzon.

Revenue and Volume Growth

The 9.03% growth in consolidated revenues to P2.57 billion in 2019 is largely accounted for by the 8.75% increase in revenues from LPG and industrial gas. LPG revenues (from sales of cooking gas, cylinders and accessories) contributed the highest at P2.41 billion or 93.89% of total revenues; the balance is broken down as follows: industrial gases, P110.91 million (4.32%); real estate, P32.31 million (1.26%); and pharmaceutical, P13.52 million (0.53%).

Sales of LPG products (cooking gas, cylinders, LPG gensets, and accessories), rose by 8.97% to P2.41 billion while volume (LPG cooking gas) grew by 3.40% to 50.99 thousand MT compared to 49.31 thousand MT of the same period last year.

Industrial gas revenues increased to P110.91 million from P106.51 million or 4.12%. The industrial gas sales come mainly from sales of oxygen and acetylene gases, and other gases. Sales of oxygen was up by 6.22% to P81.13 million compared to year-before figures; while sales of acetylene also went up by 3.34% to P17.54 million; and the balance was accounted for by sales of other gases which declined by 7.05% to P12.24 million.

Real estate sales substantially grew by 30.59% to P32.31 million; revenues from pharmaceutical products likewise grew by 19.38% to P13.52 million.

Market Demand and Price Movement

The local LPG prices are directly affected by the international contract price (CP) of LPG in the world market. Average LPG contract price (CP) during the first quarter of the year was US$465/MT, which is US$54/MT lower than US$519/MT, the average CP for the same period in 2018. Consequently, the average peso price for LPG sales in the 1st quarter of 2019 was lower than that recorded in the same quarter of 2018.

Demand for LPG has been annually growing at an average of 12% for the past 5 years based on data from the Department of Energy. The demand for 2018 of 1.8 million MT is 61% higher than the 5-year-ago figure of 2013 at 1.11 million MT. This is expected to continue, at least in the near term, given the growth momentum of the economy, alongside favourable business environment, and the great opportunity for growth of the industry considering that the Philippines has a lower LPG per capita consumption compared to most of its Asian neighbors.

Competition

Despite the LPG market being a highly competitive environment, PGI remains a major industry player, especially in the Visayas and Mindanao areas given its more than 20 years of experience, infrastructure network of import marine terminals and various refilling plants all over the country, and the customers' brand loyalty owing to reliability of supply.

The Department of Energy ("DOE") reports that PGI has the following LPG market shares in the following regions as of 2018: 25% in Mindanao, 22% in Visayas, and 9% in Luzon (including NCR). PGI has an

11% share of the country's total market; it is the 2nd largest industry player in both the Visayas and Mindanao areas, and has a 23% market share of those areas combined.

Profitability

Gross Margin on LPG revenues improved to 22.59% from the year-ago figure of 21.18%. Likewise, gross margin on industrial gas sales minimally decreased to 49.31% from 49.73%. Gross margin on real estate sales declined to 70.15% from 81.80% while gross margin on pharmaceutical products also decreased to 30.00% from 34.30%. Consolidated income from operations reached P392.57 million, 15.22% higher than last year's P340.71 million. Other Income (mainly fair value gain adjustments on PC and PGI's Financial Assets at FVPL and sale of scrap materials), however, went down by 28.08% to P38.48 million from the previous year's P53.50 million.

With an after-tax net income of Php 362.35 million, the company posted earnings of P0.1652 per share for the period under review. Net income for the coming years will however be affected by the expiration of the income tax holidays that were enjoyed by the company's San Fabian, Pangasinan import terminal. PPC remains optimistic about its prospects for the year 2019 on account of strong household incomes (given steady OFW remittances and new job opportunities in a growing economy), and the company's expansion projects with the aim to widen the scope of its market as well as bring its LPG products closer to the consumers.

Liquidity

Liquid assets of the company as of March 31, 2019 totalled P1.63 billion, consisting of P806.53 million of Cash and P821.76 million of financial assets at FVPL. This amount of liquid resources had an insignificant decrease of 1.57% from the audited figure of P1.65 billion as of December 31, 2018. Other liquid assets of the company as of March 31, 2019 consisted of Trade and Other Receivables amounting to P378.85 million.

Current ratio as of March 31, 2019 was at 1.86:1 while total debt-to-equity ratio stood at 0.37:1.

Balance Sheet Changes

Compared to the December 31, 2018 audited accounts, the considerable movements in balance sheet accounts are as shown below.

Account Name	% Increase or (Decrease)	Reason for Change
Trade and other receivables	5.79%	Increase in revenue
Inventories	(11.36%)	Less importation received during the period
Prepayments & other current assets	38.07%	Due to accrual and prepayments of accounts
Deferred tax assets	6.90%	Adjustment of provision for deferred tax
Trade and other payables	(7.17%)	Due to payments of various accounts
Dividends payable	(97.02%)	Due to payment of dividends

Income Tax payable	58.74%	Increase in net income
Customer's deposits	(16.00%)	Due to recognition of deposits to revenue
Short-term debts	(5.86%)	Due to payment of short term loans
Retirement benefit obligations	6.63%	Additional recognition of retirement benefit
Retained earnings	13.85%	Increase in net income of 2019
Treasury stock	658.23%	Additional buy-back by Parent Company of its common shares from the open market
Non-controlling interest	6.95%	Increase in net income

Numerical Performance Indicators

The measures of revenue growth are presented below.

REVENUE GROWTH			
Pryce Corporation & Subsidiaries			
	2019 (March 31, 2019)	**2018 (March 31, 2018)**	Percent Growth/ (Decline)
REVENUE	P 2,565,416,333	P 2,352,985,970	9.03%

VOLUME GROWTH			
Principal Product – Liquefied Petroleum Gas			
	2019 (March 31, 2019)	**2018 (March 31, 2018)**	Percent Growth/ (Decline)
LPG (in MT)	50,990	49,312	3.40%

The measurements of profitability are shown below.

	2019 (March 31, 2019)	**2018 (March 31, 2018)**
Return on Assets (%)	3.89%	4.07%
Return on Equity (%)	5.63%	5.69%
Net profit margin (%)	16.80%	16.75%

The liquidity measurements are shown below:

LIQUIDITY		
Pryce Corporation & Subsidiaries		
	2019 (March 31, 2019)	2018 (March 31, 2018)
Current ratio	1.86	2.39
Debt to equity ratio	0.37	0.33

2018 Compared to 2017

Consolidated growth in the group's revenue contributed to the 12% rise in the net income of the Company for the year ended December 31, 2018. It posted a consolidated net income of Php 1.40 Billion in 2018 compared to the Php 1.25 Billion of 2017.

Ninety-three percent (93%) of the group's consolidated revenues were from the sale of Liquefied Petroleum Gas (LPG) amounting to Php 9.58 Billion, four percent (4%) from the sale of industrial gases amounting to Php 422.25 Million, two percent (2%) from real estate sales amounting to Php 227 Million, and the remaining one percent (1%) from the sale of pharmaceutical products amounting to Php 44.37 Million.

LPG under the PryceGas brand and industrial gases are product lines of PGI (Pryce Gases, Inc.), real estate sales are under the holding company Pryce Corporation, while pharmaceutical products (vitamins and supplements) are the products of Pryce Pharmaceuticals, Inc. (PPhI). Oro Oxygen Corporation (OOC), a subsidiary of PGI, is engaged in the marketing and distribution of LPG and gases in Luzon. PGI and PPhI are direct subsidiaries of Pryce Corporation.

Revenue and Volume Growth

LPG sales registered an 11% revenue growth, from Php 8.66 Billion in 2017 to Php 9.58 Billion in 2018. All retail sales volumes in the Luzon, Visayas and Mindanao regions experienced increases of 4%, 3% and 4% respectively. Overall, however, there was a 4% decrease in total LPG content sales volume (201,826 metric tons in 2018 from 210,166 metric tons in 2017) because of lower bulk sales.

Sale of industrial gases posted an 8% increase in revenue of Php 422.25 Million compared to last year's Php 391.5 Million and 12% increase in sales volume of 1,055,849 cylinders in 2018 from 2017's 943,093 cylinders. Sale of medical and industrial oxygen accounted for 72% of industrial gases revenue, the balance consisting of revenues from acetylene and other gases.

Revenues from sale of real estate grew by 63%, from Php 139.41 Million in 2017 to Php 227 Million in 2018. Sale of pharmaceutical products likewise registered a positive growth of 14%, from Php 38.98 Million in 2017 to Php 44.37 Million in 2018.

Price Movement and Market Demand

LPG's contract price ("CP") opened 2018 at a downtrend in the first quarter to as low as US$ 469.50/MT in March. CP increased steadily starting April 2018 until October 2018, when it hit as high as US$ 655.00/MT, until it went down again to close the year at US$ 424/MT. The average CP was US$ 48.62/MT higher in 2018 compared to 2017.

Notwithstanding the increasing prices of LPG, its market demand grew by 10.51% in 2018 from 1.626 million metric tons in 2017 to 1.797 million metric tons in 2018, according to the Department of Energy.

Industrial gases fared well in 2018 posting a 12% sales volume growth (1,055,849 cylinders in 2018 from 943,093 cylinders in 2017). Average price of medical and industrial oxygen dipped by 5% while acetylene and other gases increased by 5% and 17%, respectively.

Competition and Market Share

The latest statistics provided by the Department of Energy show that PGI remains to be a major industry player in the Philippine LPG market, with 26% market share in North Luzon, 21.75% in Visayas and 25.25% in Mindanao.

In 2018, PGI completed the construction of 12 new refilling plants nationwide, adding a total of 577 metric tons to its total storage capacity, thereby bringing its products closer to the market. There are expansions in PGI's import terminals and refilling plants in certain regions that are ongoing to ensure wider reach of the market. PGI intends to continue such expansions, which has started around three years back, so as to further increase storage capacities in response to growing market demand and improve market share.

Profitability

Consolidated gross profit increased to Php 2.50 Billion in 2018 from the Php 2.22 Billion of 2017, or about 12.5%. Operating expenses amounted to Php 878.15 Million, thereby resulting to a net income from operations of Php 1.62 Billion.

Other income and expenses, composed mainly of finance costs, dividend income and realized gains from sale of assets, amounted to Php 101.36 Million, resulting in a Net Income before Income Tax of Php 1.72 Billion. The company recognized a provision for income taxes at Php 315.87 Million, which resulted in a net income of Php 1.40 Billion, a 12% improvement from last year's Php 1.25 Billion. This net income translates to Php 0.636 earnings per share.

Liquidity

The total liquid assets as of December 31, 2018 amounted to Php 1.65 Billion, representing a 7.48% growth from last year's Php 1.54 Billion. Current ratio decreased to 1.66 in 2018 from 2.30 in 2017.

Balance Sheet Changes

Compared to the December 31, 2017 audited financial statements, the significant movements in balance sheet accounts are as shown below.

Account Name	% Increase or (Decrease)	Reason for Change
Financial assets at fair value	10.28%	Due to additional acquisition of marketable securities
Trade and other receivables	8.04%	Due to increase in revenue
Inventories	36.12%	Due to increase in sales volume and increase in LPG importation
Prepayments and other current assets	9.93%	Due to accrual and prepayments of taxes
Property Plant and equipment	22.33%	Due to additional CAPEX
Deferred tax assets	(11.21%)	Due to adjustment of provision for deferred tax
Goodwill	10.58%	Acquisition by parent company of the shares of the minority interest in subsidiary
Trade and other payables	39.91%	Due to increase in purchases and various accruals
Income Tax payable	27.29%	Increase in net income
Customer's deposit	(21.97%)	Due to recognition of deposits to revenue
Short-term debts	158.59%	Due to additional availment of short term loan
Retirement benefit obligations	(11.21%)	Due to payment of benefit obligation to the retirement fund
Retained earnings	54.81%	Due to net income of 2018
Non-controlling interest	14.07%	Due to increase in net income

Numerical Performance Indicators

The measures of revenue growth and sales performance are presented below.

REVENUE GROWTH			
Pryce Corporation & Subsidiaries			
	2018	2017	Percent Growth/ (Decline)
REVENUE	Php 10,272,904,539	Php 9,226,508,097	11.34%

VOLUME GROWTH			
Principal Product – Liquefied Petroleum Gas			
	2018	2017	Percent Growth/ (Decline)
LPG (in kgs)	201,825,770	210,166,193	(3.97%)

The measurements of profitability are shown below.

PROFITABILITY			
Pryce Corporation & Subsidiaries			
	2018	2017	Percent Growth/ (Decline)
Return on Assets (%)	16.72%	17.18%	(2.69%)
Return on Equity (%)	24.15%	24.90%	(3.03%)
Net profit margin (%)	16.73%	16.67%	0.39%

The liquidity and solvency measurements are shown below:

LIQUIDITY		
Pryce Corporation & Subsidiaries		
	2018	2017
Current ratio	1.66	2.30
Debt to equity ratio	0.42	0.36

Plans and Prospects

PC completed its 13th memorial park, the *Pryce Gardens Butuan*, having obtained its government-required clearances including its HLURB license to sell, which was obtained in December, 2018. This park is estimated to have a total saleable amount of at least Php 540 million. This park is expected to bring good volume of sales in its first year of operations in 2019.

In 2018, PGI completed the construction of 12 new refilling plants nationwide: 4 in Luzon, 1 in Visayas and 7 in Mindanao, adding 577 MT to its total storage capacity and bringing its products closer to the market. For the year 2019, the company will continue its expansion projects in its marine-fed terminals and refilling plants to further increase its storage capacities and bring the company's LPG products closer to the intended markets. In the Luzon and Metro Manila areas, more sales centers are planned for 2019. The expansion of the storage capacities of its existing LPG import marine terminals in Zamboanga City, Iloilo, and Ayungon, Negros Oriental, began in early 2018, will be completed in 2019. By the 4th quarter of 2019, PGI's 9th marine terminal will be constructed in Bohol.

The Company remains positive that the continued implementation of the TRAIN Law, strong household incomes, along with the company's expansion projects, will drive LPG sales volume upwards for 2019. The Company targets a net income of Php 1.70 Billion (plus or minus 10%) for the year 2019.

Following the Company's declaration of cash dividend on December 22, 2017, two more were made on June 7, 2018 and December 14, 2018, each at Php 0.12 per share. Sometime after the first half of 2020, when the company's various expansions in its LPG business shall have been completed, the Company intends to adhere to a previously adopted policy wherein 50% of the prior year's consolidated net income after tax will be distributed in cash to the shareholders as dividends.

2017 Compared to 2016

Higher revenue growth from LPG sales drove the net income of the Company to Php 1.252 Billion for the year ended December 31, 2017, or higher by 29.6% over 2016's net income. Consolidated revenues were up 37.3% to Php 9.226 Billion in 2017 from 2016's Php 6.722 Billion.

Contribution to revenues is broken down by product line, as follows: LPG, including cylinders and accessories, Php 8.656 billion (93.82%); industrial gases, Php 391.49 million (4.24%); real estate sales, Php 139.41 million (1.51%); and pharmaceutical products, Php 38.98 million (0.42%).

Revenue and Volume Growth

LPG sales volume registered an increase of 10.88% (210,166 MT in 2017 from 189,551 MT in 2016), primarily due to the Vis-Min market. Sales in the Vis-Min regions experienced a 22% year-on-year volume growth as compared to about 4% volume growth in Luzon. CP during the year likewise contributed to the revenue growth, being at an average of US$491/MT in 2017, or US$145/MT higher than 2016's US$ 346/MT.

Revenues from industrial gases registered a slight increase of 2.4% or Php391.50 million in 2017 from Php 382.50 million in 2016. Sales of medical and industrial oxygen accounted for a little over 70% of industrial gas revenues, the balance consisting of revenues from acetylene and other gases.

Revenues from real estate (memorial park) operations was up by 4.4% or Php 139.41 million in 2017 over Php 133.57 million for 2016. Revenue from pharmaceuticals meanwhile increased by 10.7%.

Price Movement and Market Demand

CP of LPG was on an uptrend in 2017. CP opened at US$477/MT in January 2017, fell to as low as US$359/MT in July 2017, then rose to as high as US$ 578.50/MT in October and November 2017 before slightly dropping to US$576/MT in December 2017. Average CP in 2017 was at US$491.42/MT, or 42% higher than the average US$346.08/MT in 2016.

Notwithstanding the sharp increases in LPG prices, LPG demand in 2017 grew by 9.5% from 1.485 million MT to 1.626 million MT as reported by the DOE. This growth in LPG demand was driven by buoyant domestic consumption due to strong household incomes.

On industrial gases, average refill price of oxygen declined by 3.68% and those for acetylene and other gases by 0.14% and 0.68%, respectively. Sales volume of oxygen grew by 3.55%, while that of acetylene shrank by 4.65%; other gases however posted a significant 50.39% increase in sales volume. Overall, industrial gases fared well in 2017 as the segment registered a 38.74% growth in gross profit compared to 2016.

Competition and Market Share

PGI remains a major industry player in the Philippine LPG market accounting for a market share of 13%. In Vis-Min as previously stated, PGI is one of only four competitors operating in the area who sell under their respective brands. Luzon, on the other hand, is a much more competitive area where there are many competitors – five terminal operators and more than a hundred independent small to medium size refillers selling generic products.

PGI's continuing infrastructure expansions, which started about two years ago consist of increasing the storage capacities of its marine terminals and the constructing and operating more strategically located refilling plants to bring its product closer and more accessible to the markets. Given that it already has the most complete and extensive LPG infrastructure nationwide, such additional expansions will enable it to further enlarge and solidify its market share.

Profitability

Gross profit of the company (earnings after cost of sales) reached Php 2.22 billion during the year. Selling and general/administrative expenses aggregated Php 845.3 million, resulting in net operating income of Php 1.37 billion. This represents a growth of 44.2% from the year-before figure. Other income and charges, consisting of finance costs, and other income sources, reached Php 164.26 million, to yield a pre-tax income of Php 1.54 billion.

The Company made provision for income tax in the amount of Php 285.78 million, resulting in a net income after tax of Php 1.25 billion, an improvement of 29.60% from the previous year's Php 966.1 million. This net income translates to earnings per share of Php 0.567.

The total comprehensive income amounted to Php 1.26 billion after taking into account a remeasurement gain on retirement benefit obligation (net of tax) of Php 14.88 million.

Liquidity

Total liquid assets at year-end 2017 amounted to P1.54 billion, representing a 45.30% growth over the Php 1.06 billion balance in 2016. Current ratio increased from 2.01 in 2016 to 2.30 in 2017.

Balance Sheet Changes

Compared to the December 31, 2016 audited financial statements, the significant movements in balance sheet accounts are as shown below.

Account Name	*% Increase or (Decrease)*	*Reason for Change*
Cash	28.78%	Increase in income
Financial assets at fair value	69.99%	Additional placement in securities
Trade and other receivables	(6.58%)	Collection of receivables
Inventories	29.03%	Increase in sales volume and increase in LPG importation
Prepayments and other current assets	(10.65%)	Application of creditable withholding tax and amortization of prepayments
Advances to related parties	448,716.47%	Granting of advances to related parties
Investment properties	5.04%	Due to buy-back of previously dacioned properties
Deferred tax assets	(41.53%)	Due to recognition of income and provision of deferred tax
Trade and other payables	49.13%	Due to increase in purchases and various accruals
Income tax payable	5.18%	Increase in net income
Customers' deposits	(22.45%)	Due to recognition of deposits to revenue
Short-term debts	(39.13%)	Payment of short term loan
Retirement benefit obligation	(41.53%)	Due to payment of benefit obligation to the retirement fund
Advances from related parties	(100.00%)	Payment of advances
Deposit for future stock subscription	(100.00%)	Due to issuance of shares of stocks
Additional paid-in capital	36.05%	Due to increase in capital stock
Retained earnings	153.39%	Due to net income of 2017
Non-controlling interest	10.75%	Increase in net income

<u>Numerical Performance Indicators</u>

The measures of revenue growth and sales performance are presented below.

REVENUE GROWTH			
Pryce Corporation & Subsidiaries			
	2017 (Php)	**2016 (Php)**	Percent Growth/

			(Decline)
REVENUE	9,226,508,097	6,722,160,460	37.26%

VOLUME GROWTH			
Principal Product – Liquefied Petroleum Gas			
	2017 (kg)	**2016 (kg)**	Percent Growth/ (Decline)
LPG	210,166,193	189,551,484	10.88%

The measurements of profitability are shown below.

PROFITABILITY			
Pryce Corporation & Subsidiaries			
	2017	**2016**	Percent Growth/ (Decline)
Return on Assets (%)	17.18%	16.33%	5.18%
Return on Equity (%)	24.90%	25.68%	(3.05%)
Net profit margin (%)	16.67%	16.63%	0.23%

The liquidity and solvency measurements are shown below:

LIQUIDITY		
Pryce Corporation & Subsidiaries		
	2017	**2016**
Current ratio	2.30	2.01
Debt to equity ratio	0.36	0.44

<u>2016 Compared to 2015</u>

The Company turned in a robust performance for 2016. Consolidated revenue for the year ended December 31, 2016 posted a hefty increase of 16.4% to Php 6.7 billion from Php 5.8 billion in 2015 owing to a significant leap in LPG volume (despite further softening in price) and increased real estate sales. While consolidated gross profit rose to Php 1.7 billion in 2016 from Php 1.5 billion in 2015, gross profit margin slightly dipped to 25.5% from 25.9% in 2015 due to the dampening effect of the continued fall in LPG price. Net income after tax climbed by 64% to Php 966.1 million in 2016 from Php 589.1 million in 2015.

Revenue contribution by product line is as follows: LPG, Php 6.1 billion (91.2); industrial gas, Php382.5 million (5.7%); real estate sales, Php 133.6 million (2.0%); hotel operations, Php 37.1 million (0.5%); and pharmaceuticals, Php 35.2 million (0.5%).

Revenue and Volume Growth

Revenue growth of 16.4% in 2016 from Php 5.8 billion in 2015 to Php 6.7 billion was bolstered by an almost 30% increase in LPG volume and a 62.6% growth in real estate sales. While the further round of price falls in 2016 caused average LPG selling price to drop by 11.7% in 2016, sales volume growth from 146,188 MT in 2015 to 189,551 in 2016 more than made up for the slack in price. In terms of revenue, Vis-Min contributed 51.4% while Luzon only accounted for 48.6%.

Industrial gases for 2016 posted a 15.4% increase in revenues to Php 382.5 million in 2016 from Php 331.5 million in 2015 and a 14.2% increase in volume of cylinder refills.

The 62.6% increase in revenue from real estate sales to Php 133.6 million in 2016 from Php 82.1 million in 2015 was largely due to the sale of a parcel of raw land. Revenue from memorial lots slighty dropped by 2.4% from Php 54.5 million in 2015 to Php 52.9 million in 2016. Revenue from hotel operations and pharmaceuticals yielded increases of 5% and 18.1% respectively.

Price Movement and Market Demand

The CP continued its downtrend for the most part of 2016. For the first ten months of 2016, CP hovered around the range of US$300/MT to US$350/MT. Average annual CP slipped further by 24.4% to US$346.08 in 2016 from US$430.54 per MT in 2015. The continued softening of world prices, which in turn translated into cheaper price of LPG to consumers and industrial users caused countrywide demand to maintain its double digit growth of 14.1% in 2016, up from the 13.5% growth achieved in 2015.

Real estate operation which involves the sale of the company's inventory of raw land, developed properties and memorial lots will largely follow trends in the real estate industry, which is currently on the upswing. Pricing is negotiated between buyer and seller, except for memorial lots wherein price is determined by product positioning and already published prices, leaving not much room for price negotiations.

Competition and Market Share

There are currently six players in the LPG industry that operate marine terminals and refilling plants for the marketing and distribution of LPG in the country. Four (4) of the six terminal operators have nationwide operations while two only serve the Luzon market. Luzon is a highly competitive market with five terminal operators doing business alongside more than a hundred independent small- to medium-sized refillers who market branded or generic LPG sourced from the fiveterminal operators. The LPG market in Vis-Min, on the other hand, is served by only four terminal operators who only sell their own brands through their respective network of dealers and outlets.

As of 2016, DOE statistics showed that PGI has become the third largest player in the industry with an aggregate market share of 12.74% nationwide, slightly up from its 12.1% share in 2015. *PryceGas* market share in 2016 was 10% in Luzon, 22% in Visayas and 26% in Mindanao.

PGI strives to further increase its market share by building additional infrastructure and implementing strategic initiatives designed to widen its market reach.

Profitability

The Company has successfully managed to end 2016 with a 64% jump in net income to Php966.1 million from Php589.1 million in 2015. While the selling price of its main product, LPG, absorbed an average reduction of 11.7% in 2016, gross margins on LPG only dipped by 0.7% as management introduced product sourcing and payment terms that had a very significant impact on cost. While operating expenses rose from Php718.7 million in 2015 to Php761.5 in 2016, operating expenses as a percentage of sales registered an improvement to 11.3% in 2016 from 12.5% in 2015. The resulting income from operations grew by 22.9% from P774.8 million in 2015 to P952.4 million in 2016.

Other income and charges amounting to Php165.4 million consisting of fair value adjustments and other income further buoyed income from operations, resulting in an income before tax of Php1.1 billion which is 55% higher than Php717.4 million achieved in 2015.

A remeasurement loss on retirement benefit amounting to Php12.7 million taken up in 2016 resulted in a comprehensive income of P953.4 million.

EPS of Php 0.477 per share based on 2016 comprehensive income is a 57.9% improvement over the Php 0.302 per share recorded in 2015.

Liquidity

Total liquid assets as of yearend 2016 is Php 1.1 billion, consisting of Php 628.1 million in cash and Php 429.6 million in financial assets at fair value (equity securities), represents a 48.5% growth over the P712.2 million balance in 2015. Liquidity ratios exhibited a marked increase from 1.83x in 2015 to 2.21x in 2016.

Balance Sheet Changes

Compared to the December 31, 2015 audited financial statements, the significant movements in balance sheet accounts are as shown below.

Account Name	*% Increase or (Decrease)*	*Reason for Change*
Cash	90.33%	Due to the increase in revenue and availment of short-term loans
Financial assets at fair value	12.40%	Due to unrealized gain on marketable securities

Trade and other receivables	(7.7%)	Improved collection of Receivables
Inventories	13.75%	Due to increase in sales volume and increase in LPG importation
Prepayments and other current assets	27.16%	Increase in prepaid taxes and creditable withholding tax
Advances to related parties	(98.21%)	Collection of advances
Property, plant and equipment	101.87%	Recognition of appraisal increment and additional construction of LPG facilities
Deferred tax assets	309.65%	Recognition of deferred tax Assets
Trade and other payables	(58.93%)	Payments of accounts
Income tax payable	193.71%	Increase in net income
Installment contracts payable	(100.00%)	Full payments of accounts in 2016
Short-term debts	100.00%	Availment of short-term loan
Customers' deposits	16.58%	Due to increase in down payment for lots/services
Retirement benefit obligations	8.09%	Increase in accrual of benefit as a result of latest actuarial valuation
Advances from related parties	(82.48%)	Collection of advances
Deposit for future stock subscription	100%	Advance for subscription of shares of stocks
Deferred tax liabilities	1055.50%	Due to increase in revaluation increment in property and equipment
Other comprehensive income	1559.29%	Due to recognition of appraisal increment
Deficit	(392.48%)	Due to net income of 2016
Treasury stock	(100.00%)	Disposal of the shares
Non-controlling interest	30.85%	Due to share in net income

Numerical Performance Indicators

The measures of sales performance and revenue growth are presented below.

REVENUE GROWTH

Pryce Corporation & Subsidiaries			
	2016 (in Php)	**2015 (in Php)**	Percent Growth/ (Decline)
REVENUE	6,722,160,460	5,773,112,991	16.44%

VOLUME GROWTH			
Principal Product – Liquefied Petroleum Gas			
	2016 (in kg)	**2015 (in kg)**	Percent Growth/ (Decline)
LPG (in kgs)	189,551,484	146,188,473	29.66%

The measurements of profitability are as shown below.

PROFITABILITY			
Pryce Corporation & Subsidiaries			
	2016 (Dec. 31, 2016)	**2015 (Dec. 31, 2015)**	Percent Growth/ (Decline)
Return on Assets (%)	14.19%	11.31%	25.55%
Return on Equity (%)	22.29%	20.98%	6.23%
Net profit margin (%)	14.37%	10.20%	40.85%

The liquidity and solvency measurements are shown below:

LIQUIDITY		
Pryce Corporation & Subsidiaries		
	2016	**2015**
Current ratio	2.21	1.83
Debt to equity ratio	0.44	0.63

Compliance with Corporate Governance

The Company has a Manual of Corporate Governance (the "Manual") to institutionalize sound corporate governance practices, enhance investor protection, and increase accountability. The Company has a Compliance Officer (as the Manual requires) who has direct reporting responsibilities to the Chairman of the Board of Directors and monitors compliance with corporate governance matters. The Manual was revised/updated in March 2011 and July 2014 pursuant to SEC circulars. The Company nevertheless continuously reviews and evaluates its corporate governance policies to ensure the observance of sound governance practices. Likewise, pursuant to the requirements of the Manual, different board committees had been constituted at the Board's Organizational Meeting in 2018 as follows:

Board Audit Committee

The Board Audit Committee handles audit supervision and/or oversight functions, particularly ensuring compliance with regulatory and internal financial management standards and procedures, performing oversight financial management functions, approving audit plans, coordinating with internal and external auditors, elevating the company's audit procedures to international standards, and developing a transparent financial management system to ensure the integrity of internal control activities throughout the Company. The following are the members of the Board Audit Committee:

(i) Roland Joey R. de Lara – *Chair* (Independent Director)
(ii) Xerxes Emmanuel F. Escaño – Member
(iii) Arnold L. Barba – Member (Independent Director)

Board Nomination Committee

The Board Nomination Committee pre-screens and shortlists candidates nominated to the board in accordance with the criteria spelled out in its Manual and at all times within the realm of good corporate governance. The following are the members of the Board Nomination Committee:

(i) Salvador P. Escaño – *Chair*
(ii) Xerxes Emmanuel F. Escaño – Member
(iii) Roland Joey R. de Lara – Member (Independent Director)

Board Compensation and Remuneration Committee

The Board Compensation and Remuneration Committee is primarily tasked to establish and evaluate formal and transparent procedures for developing policies on executive remuneration and for fixing the remuneration packages of the directors and officers, to designate the amount of remuneration, which shall be sufficient to attract and retain directors and officers needed to successfully run the Company. The members of the Board Compensation and Remuneration Committee are:

(i) Ramon R. Torralba, Jr. – *Chair*
(ii) Salvador P. Escaño – Member
(iii) Arnold L. Barba – Member (Independent Director)

The Company adopted the evaluation system proposed by the SEC in order to measure or determine the level of compliance of the Board of Directors and the Management with corporate governance practices. For the year 2018, the Company has substantially observed and complied with the provisions in the Manual and no culpable deviation from the Manual has been noted or observed.

The Company continuously reviews and evaluates its corporate governance policies to ensure the observance of sound governance practices. The evaluation system provided by the Commission always provides a good starting point in evaluating and improving the Manual.

The Company has submitted its Integrated Annual Corporate Governance Report in accordance with prevailing SEC regulations.

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Pryce Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2018 and 2017 and
for Each of the Three Years in the
Period Ended December 31, 2018

and

Independent Auditors' Report

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **PRYCE CORPORATION AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at and for the years ended December 31, 2018 and 2017, in accordance with Philippine Financial Reporting Standards (PFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Diaz Murillo Dalupan and Company, the independent auditor, appointed by the stockholders, has audited the 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.

SALVADOR P. ESCAÑO
Chairman

EFREN A. PALMA
President

JOSE MA. C. ORDENES
Treasurer

Signed this 17 day of April 2019

SUBSCRIBED AND SWORN to me this 'APR 2 2 2019 day of April, 2019 in the City of CITY OF MAKATI, Philippines, Affiant exhibited and personally appeared to me:

NAME	Driver's License No.	Date issued/ Expiry
SALVADOR P. ESCAÑO	C10-75-021861	November 14, 2023
EFREN A. PALMA	M02-92-019608	June 20,2019
JOSE MA. C. ORDENES	N26-08-001284	September 16, 2019

Doc. No. 08
Page No. 03
Book No. 105
Series of 2019

ATTY. JOSHUA P. LAPUZ
Notary Public Makati City
Until Dec. 31, 2019
Appointment No. M-82-(2019-2020)
PTR No. 7333096 Jan. 3, 2019/ Makati
IBP Lifetime No. 04897 Roll No. 45790
MCLE Compliance No. VI-0016565
G/F Fedman Bldg., 199 Salcedo St.
Legaspi Village, Makati City

PAZ A. TY-CABRERA
Certified Public Accountant
17th Floor Pryce Center
1179 Chino Roces Ave., Makati City
Telephone: (02) 8891079/0998-5908549
Email: pazcabrera@ymail.com

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity accordance with Philippine Financial Reporting Standards and reports as required by accounting and auditing standards for Pryce Corporation and Subsidiaries for the year ended December 31, 2018.

In discharging this responsibility, I hereby declare that I am the Comptroller of Pryce Corporation. Furthermore, in my compilation services for the preparation of the financial statements and notes to the financial statements, I was not assisted by or did not avail of the services of Diaz Murillo Dalupan and Company who is the external auditor who rendered the audit opinion for the said financial statements and notes to the financial statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.

PAZ A. TY-CABRERA
CPA No. 41818
BoA CI Cert No. 2751, valid until August 13, 2020
BIR Accreditation No. 08-004641-001-2018, valid until April 3, 2021
Tax Identification No.110-082-148
PTR No. 7333756 issued in Makati on January 3, 2019

April 17, 2019

ATTY. JOSHUA P. LAPUZ
Notary Public Makati City
Until Dec. 31, 2019
NOTARY PUBLIC
Appointment No. M-82-(2019-2020)
PTR No. 7333096 Jan. 3, 2019/ Makati
IBP Lifetime No. 04897 Roll No. 45790
MCLE Compliance No. VI-0016565
G/F Fedman Bldg., 199 Salcedo St.
Legaspi Village, Makati City

Doc. No. 20 ;
Page No. 05 ;
Book No. 105 ;
Series of ~~2018.~~ 2019

Independent Auditors' Report

To the Board of Directors and Stockholders of
PRYCE CORPORATION AND SUBSIDIARIES
17th Floor Pryce Center, 1179 Don Chino Roces Avenue
cor. Bagtikan Street, Makati City

Opinion

We have audited the consolidated financial statements of **Pryce Corporation and Subsidiaries** (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the 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, 2018, 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audits 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 audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 audits 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.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the 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 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 financial statements.

Valuation of real estate properties transferred by the Parent Company in exchange of the shares of stock of a Subsidiary

Pryce Corporation (PC) transferred real estate properties to Pryce Gases, Inc. (PGI), its subsidiary, in exchange for PGI's capital stock as capital contribution. The Parent Company and subsidiary are under rehabilitation at the time of transfer and the basis for the valuation of the real estate properties transferred was based on the decision of the Regional Trial Court. PC recognized the real estate properties transferred to PGI at cost instead of fair value of the asset given up. This result to the recognition of "Fair value gain on real estate properties" presented under Equity section of the consolidated financial statements.

Audit response

We validated the valuation of the real estate properties through inspection of the contract to sell and published market prices of the real estate properties and compared it against the Regional Trial Court valuation.

Adoption of PFRS 15, Revenue from Contracts with Customer

On January l, 2018, the Group adopted the new revenue recognition standard, PFRS 15, Revenue from Contracts with Customers. The following matters are significant to our audit because these involve application of significant judgments and estimates: (a) identify the contracts with customers; (b) identify the performance obligations in the contract; (c) determine the transaction price; (d) allocate the transaction price to the performance obligations in the contract; and (e) recognize revenue when the entity satisfies a performance obligation.

Sale of memorial lots

Under PFRS 15, the Group has concluded that revenue from sale of memorial lots should be recognized at the point in time when control of the asset is transferred to the customer, generally when lots are allowed to be used for burial which is upon 100% payment of purchase of lawn lot and upon 50% payment of family estate.

Sale of subdivision lots and office units

Revenues from sale of subdivision lots and office units are recognized at a point in time when control over the subdivision lots and office units are transferred to the customer, this normally happen when the subdivision lots and the office units are turnover to the buyer.

The disclosures related to the adoption of PFRS 15 are included in Note 2 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's revenue recognition process with respect to real estate projects and tested the related controls. We performed inquiries on relevant personnel on sales, collection and reporting process. For the customer's deposit, we evaluated the management's basis by comparing this to the historical analysis of monthly sales collections report from total contract to buy report. We traced the analysis to supporting documents such as the monthly sales report and contract to buy. We obtained sales and collection reports and compared the data with the information in the Group's revenue calculation and monitoring schedule, and reviewed the disposition of differences noted. On a test basis, we traced reported lawn lot sales and subdivision lots and office units against actual collection to corresponding official receipt and contracts to buy and bank records.

We performed cut-off procedures by examining sales and collection reports for the month subsequent to the cut-off date. We evaluated the disclosures made in the financial statements related to adoption of PFRS 15.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the 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 PFRS, 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.

Auditors' Responsibilities for the Audits 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. 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 auditors' 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 auditors' 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 group 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 audits.

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 auditors' 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.

Diaz Murillo Dalupan and Company
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until August 11, 2020
SEC Accreditation No. 0192-FR-3, Group A, effective until April 2, 2022
BIR Accreditation No. 08-001911-000-2019, effective until March 27, 2022
By:

Elirie S. Arañas
Partner
CPA Certificate No. 0101773
SEC Accreditation No. 1679-A, Group A, effective until May 9, 2021
Tax Identification No. 207-051-549
PTR No.7344259, January 8, 2019, Makati City
BIR Accreditation No. 08-001911-011-2019, effective until March 27, 2022

April 17, 2019

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Financial Position

	As at December 31	
	2018	2017
ASSETS		
Current assets		
Cash - note 4	**₱848,846,339**	₱808,828,983
Financial assets at FVPL - note 5	**805,336,648**	730,280,402
Trade and other receivables (net) - note 6	**358,097,756**	331,458,795
Inventories - note 7	**1,072,070,705**	787,570,966
Real estate projects - note 8	**816,037,022**	844,664,436
Prepayments and other current assets - note 9	**74,985,424**	68,212,104
	3,975,373,894	3,571,015,686
Noncurrent assets		
Advances to related parties (net) - note 20	**131,444,881**	131,444,881
Property, plant and equipment (net) - notes 10 and 11	**6,993,581,230**	5,716,962,400
Investment properties - note 12	**115,497,888**	115,497,888
Deferred tax assets - note 29	**35,174,217**	39,616,841
Goodwill - note 13	**78,148,305**	70,668,305
	7,353,846,521	6,074,190,315
TOTAL ASSETS	**₱11,329,220,415**	₱9,645,206,001
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables - note 14	**₱1,021,138,260**	₱729,839,796
Short-term debts - note 16	**905,078,052**	350,000,000
Dividends payable - note 19	**248,653,686**	242,940,000
Customers' deposits - note 15	**109,324,422**	140,109,299
Income tax payable	**116,468,529**	91,501,863
	2,400,662,949	1,554,390,958
Noncurrent liabilities		
Retirement benefits obligation - note 27	**117,247,393**	132,056,136
Deferred tax liabilities - note 29	**714,111,829**	751,376,471
	831,359,222	883,432,607
	3,232,022,171	2,437,823,565
Equity		
Equity attributable to equity holders of the Parent Company		
Capital stock - note 17	**2,024,500,000**	2,024,500,000
Additional paid-in capital	**369,834,820**	369,834,820
Retained earnings	**2,620,553,908**	1,692,745,178
Fair value gain on real estate properties - note 32	**1,030,726,843**	1,030,726,843
Other comprehensive income - note 26	**1,639,781,107**	1,723,058,695
Treasury stocks - note 18	**(6,266,563)**	-
	7,679,130,115	6,840,865,536
Non-controlling interest	**418,068,129**	366,516,900
Total equity	**8,097,198,244**	7,207,382,436
TOTAL LIABILITIES AND EQUITY	**₱11,329,220,415**	₱9,645,206,001

(The accompanying notes are an integral part of these consolidated financial statements.)

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

	For the Years Ended December 31		
	2018	2017	2016
REVENUES - note 21			
Liquefied petroleum gases (LPG) and industrial gases	**₱10,001,541,311**	₱9,048,113,676	₱6,516,302,298
Real estate	**226,995,376**	139,414,929	133,566,654
Hotel operations	**-**	-	37,078,534
Pharmaceutical products	**44,367,852**	38,979,492	35,212,974
	10,272,904,539	9,226,508,097	6,722,160,460
COST OF SALES - note 22			
LPG and industrial gases	**7,684,471,818**	6,946,859,035	4,899,947,898
Real estate	**62,899,417**	33,809,725	45,368,635
Hotel operations	**-**	-	38,498,003
Pharmaceutical products	**29,902,625**	27,080,705	24,506,724
	7,777,273,860	7,007,749,465	5,008,321,260
GROSS PROFIT	**2,495,630,679**	2,218,758,632	1,713,839,200
OPERATING EXPENSES - note 23			
Selling expenses	**405,743,995**	374,691,340	348,619,544
General and administrative expenses	**472,402,488**	470,608,380	412,860,692
	878,146,483	845,299,720	761,480,236
INCOME FROM OPERATIONS	**1,617,484,196**	1,373,458,912	952,358,964
OTHER INCOME (CHARGES)			
Finance cost - note 24	**(34,178,845)**	(31,460,634)	(29,539,476)
Fair value gain (loss) - note 5	**(47,020,829)**	37,321,484	60,220,249
Other income (net) - note 25	**182,563,215**	158,403,895	134,715,540
	101,363,541	164,264,745	165,396,313
INCOME BEFORE INCOME TAX	**1,718,847,737**	1,537,723,657	1,117,755,277
INCOME TAX EXPENSE - note 29	**(315,874,038)**	(285,777,326)	(151,663,971)
NET INCOME FOR THE YEAR	**1,402,973,699**	1,251,946,331	966,091,306
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gain (loss) on retirement benefit obligation (net of tax) - note 27	**-**	14,884,981	(12,680,190)
Revaluation increase (net of tax) - note 10	**-**	-	1,702,028,074
	-	14,884,981	1,689,347,884
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱1,402,973,699**	₱1,266,831,312	₱2,655,439,190
Net income attributable to:			
Equity holders of the Parent Company	**₱1,288,081,156**	₱1,148,682,457	₱888,062,210
Non-controlling interests	**114,892,543**	103,263,874	78,029,096
	₱1,402,973,699	₱1,251,946,331	₱966,091,306
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱1,288,081,156**	₱1,163,567,438	₱2,577,410,094
Non-controlling interests	**114,892,543**	103,263,874	78,029,096
	₱1,402,973,699	₱1,266,831,312	₱2,655,439,190
EARNINGS PER SHARE - note 30	**₱0.636**	₱0.567	₱0.444

(The accompanying notes are an integral part of these consolidated financial statements.)

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Equity

	For the Years Ended December 31									
	Capital stock (Note 17)				Other comprehensive income (Note 26)					
	Issued	Subscribed	Additional paid-in capital	Fair value gain on real estate properties (Note 32)	Revaluation reserves	Remeasurement gain	Retained earnings	Treasury stocks (Note 18)	Non-controlling interest	Total
BALANCE AS AT JANUARY 1, 2017	₱1,998,750,000	₱1,250,000	₱271,834,820	₱1,030,726,843	₱1,785,487,906	₱5,963,396	₱668,034,738	₱ -	₱330,930,478	₱6,092,978,181
Comprehensive income										
Net income for the year	-	-	-	-	-	-	1,148,682,457	-	103,263,874	1,251,946,331
Transfer of revaluation reserve deduction from operations through additional depreciation charges	-	-	-	-	(118,967,983)	-	118,967,983	-	-	-
Deferred income tax effect on revaluation reserve charged to operations through additional depreciation	-	-	-	-	35,690,395	-	-	-	-	35,690,395
Remeasurement gain on retirement benefits obligation	-	-	-	-	-	21,264,258	-	-	-	21,264,258
Deferred tax effect on remeasurement gain on retirement benefits obligation	-	-	-	-	-	(6,379,277)	-	-	-	(6,379,277)
Total comprehensive income for the year	-	-	-	-	(83,277,588)	14,884,981	1,267,650,440	-	103,263,874	1,302,521,707
Transactions with owners										
Declaration of cash dividend - note 19	-	-	-	-	-	-	(242,940,000)	-	(67,677,452)	(310,617,452)
Issuance of capital stock	25,750,000	(1,250,000)	98,000,000	-	-	-	-	-	-	122,500,000
	25,750,000	(1,250,000)	98,000,000	-	-	-	(242,940,000)	-	(67,677,452)	(188,117,452)
BALANCE AS AT DECEMBER 31, 2017	**₱2,024,500,000**	**-**	**₱369,834,820**	**₱1,030,726,843**	**₱1,702,210,318**	**₱20,848,377**	**₱1,692,745,178**	**-**	**₱366,516,900**	**₱7,207,382,436**
BALANCE AS AT JANUARY 1, 2018	₱2,024,500,000	-	₱369,834,820	₱1,030,726,843	₱1,702,210,318	₱20,848,377	₱1,692,745,178	-	₱366,516,900	₱7,207,382,436
Comprehensive income										
Net income for the year	-	-	-	-	-	-	1,288,081,156	-	114,892,543	1,402,973,699
Transfer of revaluation reserve deduction from operations through additional depreciation charges	-	-	-	-	(118,967,983)	-	118,967,983	-		-
Deferred income tax effect on revaluation reserve charged to operations through additional depreciation	-	-	-	-	35,690,395	-	-	-	-	35,690,395
Change in interest to Pryce Gases, Inc. resulting from increase in interest of Parent Company from 91.04% to 91.35%	-	-	-	-	-	-	6,409,287	-	(14,909,287)	(8,500,000)
Total comprehensive income for the year	-	-	-	-	(83,277,588)	-	1,413,458,426	-	99,983,256	1,430,164,094
Transactions with owners										
Declaration of cash dividend - note 19	-	-	-	-	-	-	(485,649,696)	-	(48,432,027)	(534,081,723)
Reacquisition of shares - note 18	-	-	-	-	-	-	-	(6,266,563)	-	(6,266,563)
	-	-	-	-	-	-	(485,649,696)	(6,266,563)	(48,432,027)	(540,348,286)
BALANCE AS AT DECEMBER 31, 2018	**₱2,024,500,000**	**-**	**₱369,834,820**	**₱1,030,726,843**	**₱1,618,932,730**	**₱20,848,377**	**₱2,620,553,908**	**(₱6,266,563)**	**₱418,068,129**	**₱8,097,198,244**

(The accompanying notes are an integral part of these consolidated financial statements)

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	For the Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,718,847,737**	₱1,537,723,657	₱1,117,755,277
Adjustments for :			
Depreciation - notes 10 and 11	**368,917,645**	319,757,628	280,754,117
Unrealized loss (gain) on financial assets at FVPL - note 5	**47,020,829**	(37,321,484)	(60,220,249)
Retirement benefit expense - note 27	**25,321,034**	14,487,168	31,972,262
Finance costs - note 24	**34,178,845**	31,460,634	29,539,476
Interest income - note 25	**(1,334,974)**	(1,043,506)	(975,134)
Unrealized foreign exchange gain - note 25	**(6,411,820)**	(1,459,337)	(354,955)
Income from reversal of allowance for doubtful accounts - note 6	**(30,589,742)**	-	-
Gain on sale of financial assets at FVPL - note 5	**(32,102,718)**	(71,166,680)	(54,602,762)
Gain on sale of property, plant and equipment - notes 10 and 11	**(30,446,891)**	(2,636,014)	-
Dividend income - note 25	**(40,734,023)**	(8,610,501)	(4,935,965)
Retirement benefits income - note 27	**-**	(2,456,485)	-
Operating income before working capital changes	**2,052,665,922**	1,778,735,080	1,338,932,067
Decrease (increase) in assets:			
Trade and other receivables	**3,950,785**	23,356,261	38,200,101
Inventories	**(284,499,739)**	(177,188,754)	(73,796,487)
Prepayments and other current assets	**(6,773,320)**	8,130,571	(16,305,791)
Real estate projects	**28,627,414**	(22,060,631)	30,113,985
Increase (decrease) in liabilities:			
Trade and other payables	**291,298,464**	241,575,435	(674,216,252)
Customers' deposits	**(30,784,877)**	(40,570,169)	25,697,991
Net cash from operations	**2,054,484,649**	1,811,977,793	668,625,614
Proceeds from sale of financial assets at FVPL - note 5	**806,396,445**	521,334,600	104,172,336
Dividends received - note 5	**40,734,023**	8,610,501	4,935,965
Interest received - note 25	**1,334,974**	1,043,506	975,134
Contributions and retirement benefits paid - note 27	**(40,129,777)**	(84,561,459)	(33,176,211)
Income taxes paid	**(288,038,998)**	(262,243,932)	(145,550,665)
Additions to financial assets at FVPL - note 5	**(896,370,802)**	(713,531,925)	(36,738,434)
Net cash from operating activities	**1,678,410,514**	1,282,629,084	563,243,739
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment - notes 10 and 11	**51,583,572**	8,737,454	23,633,397
Additions to property, plant and equipment - notes 10 and 11	**(1,666,673,157)**	(589,352,628)	(624,922,524)
Collection of advances to related parties	**-**	29,287	1,636,663
Additional investment properties - note 12	**-**	(5,540,000)	-
Grant of advances to related parties	**-**	(131,444,881)	(26,487)
Net cash used in investing activities	**(1,615,089,585)**	(717,570,768)	(599,678,951)

(Forwarded)

(Continued)

	For the Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of short-term debts	**1,773,740,046**	600,000,000	600,000,000
Payment of dividends	**(528,368,037)**	(67,677,447)	-
Payment of short-term debts	**(1,218,661,994)**	(825,000,000)	(25,000,000)
Finance costs paid - note 24	**(34,178,845)**	(31,460,634)	(29,539,476)
Acquisition of shares from non-controlling interest	**(15,980,000)**	-	-
Acquisition of treasury stocks - note 18	**(6,266,563)**	-	-
Settlement of advances from related parties	**-**	(60,470,817)	(284,729,004)
Payment of installment contracts payable	**-**	-	(49,342,686)
Proceeds from deposit for future subscription	**-**	-	122,500,000
Net cash from (used in) financing activities	**(29,715,393)**	(384,608,898)	333,888,834
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**6,411,820**	316,524	618,655
NET INCREASE IN CASH	**40,017,356**	180,765,942	298,072,277
CASH - note 4			
At beginning of year	**808,828,983**	628,063,041	329,990,764
At end of year	**₱848,846,339**	₱808,828,983	₱628,063,041

(The accompanying notes are an integral part of these consolidated financial statements)

PRYCE CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
As at and for the years ended December 31, 2018 and 2017
and for each of the three years in the period ended December 31, 2018
(Expressed in Philippine Peso)

1. CORPORATE INFORMATION

Pryce Corporation (the "Parent Company") and its Subsidiaries (collectively referred to as the "Group") were incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on various dates as follows:

Name of company	Date of incorporation
Pryce Corporation (Parent Company)	September 7, 1989
Pryce Gases, Inc. (PGI)	October 8, 1987
Oro Oxygen Corporation (OOC)	April 4, 2006
Pryce Pharmaceuticals, Inc. (PPhI)	March 10, 2000

The Parent Company is primarily engaged in acquiring, purchasing, leasing, holding, selling or otherwise dealing in land and or real estate or any interest or right therein as well as real or personal property of every kind and description including but not limited to shares of stock in industrial, commercial, manufacturing and any other similar corporations.

The Parent Company is a publicly-listed company which is 50.24% owned by Guild Securities, Inc., and 49.76% owned by PCD Nominee Corporation and other entities and individuals. The Parent Company's stock price amounted to ₱5.75 and ₱6.80 per share as at December 31, 2018 and 2017, respectively.

The Parent Company's registered office address is 17th Floor Pryce Center, 1179 Don Chino Roces Avenue cor. Bagtikan Street, Makati City.

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries it controls:

PGI

PGI is primarily engaged in the manufacture, production, purchase, sale and trade of all kinds of liquids and gases and other chemicals, other allied or related products, lease, operate, manage and construct and/or install for or on account of others, plants, equipment and machineries for the manufacture or production or distribution of the desired liquids and gases and other allied products. As at December 31, 2018, PGI has eight (8) liquefied petroleum gas (LPG) marine-fed terminals and fifty-nine (59) refilling plants of varying storage capacities.

Certain operations of PGI is registered with the Board of Investments (BOI) and entitled to Income Tax Holiday (ITH) provided under Republic Act 8479, otherwise known as the Downstream Oil Deregulation Act of 1998 (see Note 31).

PGI's registered office address is 17th Floor Pryce Center, 1179 Don Chino Roces Avenue cor. Bagtikan Street, Makati City.

On February 19, 2018, the Parent Company acquired 8,500,000 shares of PGI from Marubeni Corporation for ₱15.98 million resulting to an increase in percentage (%) of ownership from 91.04% to 9l.35%.

OOC

OOC is primarily engaged in the purchase, importation, sale and distribution and manufacture and/or production of all kinds of gases including LPG, industrial gases, such as, oxygen, acetylene, hydrogen, nitrogen, argon, carbon dioxide, nitrous oxide, compressed air and helium and other allied or related products, including its containers, equipment and other receptacles. As at December 31, 2018, OOC has three (3) LPG refilling plants of varying storage capacities.

OOC's registered office address is 1st Lower Level Pryce Plaza Hotel, Carmen Hill, Cagayan de Oro City.

PGI owned 99.62% of the shares issued by OOC. The increase in stock ownership of the Parent Company to PGI resulted to an increase in % of ownership of the Parent Company to OOC from 90.69% to 91.00%.

PPhI

PPhI is primarily engaged in the trading of pharmaceutical products on wholesale and retail basis. The Subsidiary's registered office address is LGF Skyland Plaza, corner Gil Puyat Avenue and Tindalo Street, Makati City.

Authorization to issue the consolidated financial statements

The consolidated financial statements as at and for the year ended December 31, 2018, including its comparatives as at December 31, 2017, and for each of the three (3) years in the period ended December 31, 2018 were approved and authorized for issue by the Parent Company's Board of Directors (BOD) on April 17, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Statement of compliance

The consolidated financial statements of the Group have been prepared in conformity with Philippine Financial Reporting Standards (PFRS), except for the recognition of fair value gain on real estate properties transferred by the Parent Company to PGI as equity contribution, which have been taken up in the books and records of the Parent Company at cost instead of fair value as required under PFRS 3, *Business Combination*. The Group concluded that applying the said standard would be so misleading that it would conflict with the objectives of the consolidated financial statements set out in the Framework (see Note 32).

The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by the former Standing Interpretations Committee (SIC), the Philippine Interpretations Committee (PIC) and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for certain property, plant and equipment, which have been measured using the revaluation model, and financial assets at fair value through profit or loss (FVPL), which have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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, regardless of whether that price is directly observable or estimated using another valuation technique.

The consolidated financial statements are presented in Philippine peso (₱), the Group’s functional and presentation currency. All amounts are rounded to the nearest peso except when otherwise indicated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and all subsidiaries it controls (see Note 1). Control is achieved when the Parent Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these three elements of control.

When the Parent Company has less than a majority of the voting or similar rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Parent Company considers all relevant facts and circumstances in assessing whether or not it has power over an investee, including:

- the contractual agreement with the other vote holders of the investee;
- rights, arising from contractual agreements; and
- the Group’s voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company 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 Parent Company gains control until the date when the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributable to equity holders of the Parent of the Group and to non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting year, using accounting policies that are consistent with those of the Parent Company. Intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation.

Non-controlling interest represents the portion of profits or losses and net assets of consolidated subsidiaries not held by the equity holders of the Parent Company, and is presented separately in the consolidated statements of comprehensive income, consolidated statements of changes in equity and within the equity section of the consolidated statements of financial position, separately from equity attributable to the equity holders of the Parent Company.

Changes in the ownership interests in subsidiaries that do not result in the loss of control are accounted for as equity transactions.

If the Group losses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss.

The percentage (%) of ownership of the Parent Company as at December 31 follows:

	Ownership and voting interest	
Name of subsidiary	2018	2017
PGI	91.35%	91.04%
OOC	91.00%	90.69%
PPhI*	88.61%	88.61%

** Includes indirect equity ownership of 13.66% and 13.61% in 2018 and 2017, respectively.*

The summarized financial information in respect of the subsidiaries that have material non-controlling interest is set below:

The summarized statements of financial position as at December 31 are as follows:

	2018			2017		
	PGI	**OOC**	**PPhI**	PGI	OOC	PPhI
Total current assets	**₱2,238,534,547**	**₱183,344,785**	**₱17,604,140**	₱1,795,158,575	₱237,098,756	₱14,523,906
Total noncurrent assets	**6,736,411,400**	**542,188,507**	**3,863,120**	5,408,473,410	596,362,431	4,922,132
Total assets	**8,974,945,947**	**725,533,292**	**21,467,260**	7,203,631,985	833,461,187	19,446,038
Current liabilities	**1,818,835,532**	**14,963,124**	**8,678,639**	923,894,239	104,094,089	9,502,331
Noncurrent liabilities	**765,162,894**	**171,498,383**	**1,971,291**	683,177,598	195,725,582	-
Total liabilities	**2,583,998,426**	**186,461,507**	**10,649,930**	1,607,071,837	299,819,671	9,502,331
Equity	**₱6,390,947,521**	**₱539,071,785**	**₱10,817,330**	₱5,596,560,148	₱533,641,516	₱9,943,707

The summarized statements of comprehensive income for the years ended December 31 are as follows:

	2018			2017		
	PGI	**OOC**	**PPhI**	PGI	OOC	PPhI
Revenues	**₱10,017,735,371**	**₱217,633,660**	**₱44,367,852**	₱8,881,773,246	₱357,641,795	₱38,979,492
Expenses	**(8,414,969,989)**	**(209,798,012)**	**(43,119,819)**	(7,480,917,841)	(350,112,881)	(37,832,358)
Income tax expense	**(281,321,709)**	**(2,405,379)**	**(374,410)**	(254,571,723)	(2,334,734)	(344,140)
Net income	**1,321,443,673**	**5,430,269**	**873,623**	1,146,283,682	5,194,180	802,994
Other comprehensive income	**-**	**-**	**-**	7,029,870	-	-
	₱1,321,443,673	**₱5,430,269**	**₱873,623**	₱1,153,313,552	₱5,194,180	₱802,994
Net income attributable to:						
Equity holders of the Parent Company	**1,207,138,795**	**4,941,701**	**774,526**	1,050,606,535	4,728,783	711,534
Non-controlling interest	**114,304,878**	**488,568**	**99,097**	102,707,017	465,397	91,460
	₱1,321,443,673	**₱5,430,269**	**₱873,623**	₱1,153,313,552	₱5,194,180	₱802,994

The summarized statements of cash flows for the years ended December 31 are as follows:

	2018			2017		
	PGI	**OOC**	**PPhI**	PGI	OOC	PPhI
Net cash inflows (outflows) from operating activities	**₱1,379,393,468**	**₱102,227,252**	**₱131,324**	₱1,715,144,191	₱181,879,493	(₱2,602,214)
Net cash inflows (outflows) from investing activities	**(1,573,884,233)**	**(20,480,830)**	**1,675,177**	(537,035,962)	(248,946,393)	(1,735,481)
Net cash inflows (outflows) from financing activities	**212,216,588**	**(100,000,000)**	**-**	(902,401,828)	-	-
Net increase (decrease) in cash	**₱17,725,823**	**(₱18,253,578)**	**₱1,806,501**	₱275,706,401	(₱67,066,900)	(₱4,337,695)

Impact of the Revised Corporation Code of the Philippines

The Republic Act No. 11232 otherwise known as the Revised Corporation Code of the Philippines (the “Revised Code”) took effect on February 23, 2019, which aimed at improving ease of doing business, affording more protection to corporations and stockholders, and promoting good corporate governance.

The Revised Code should be applied prospectively. The requirement to prepare and submit the annual financial statements based on the Revised Code is effective beginning on or after February 23, 2019. All financial statements covering the periods on or before February 22, 2019 are required to be prepared and submitted in accordance with the Old Corporation Code or Batas Pambansa Bilang 68, in addition to the requirements of the SRC Rule 68.

This will have no impact on the preparation and submission of the Group’s consolidated financial statements.

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial years except for the following new and amended PFRS that are mandatorily effective for annual periods beginning on or after January 1, 2018.

PFRS 9, *Financial Instruments (2014)*

PFRS 9, *Financial Instruments* replaces PAS 39 *Financial Instruments: Recognition and Measurement*, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

The standard requires all recognized financial assets that are within the scope of PAS 39 to be subsequently measured at amortized cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely for payments of principal and interest on the outstanding balance are generally measured at amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. For financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

The assessment of the Group's business model was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether the contractual cash flows on debt instruments solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

(a) Classification and measurement of financial instruments

The measurement category and the carrying amount in accordance with PAS 39 and PFRS 9 as of Janary 1, 2018 are compared as follows:

	Original measurement category under PAS 39	New measurement category under PFRS 9
Cash in banks	Loans and receivables	Amortized cost
Equity instrument held for trading	Financial assets at FVPL	Financial assets at FVPL
Trade and other receivables	Loans and receivables	Amortized cost
Advances to a related party	Loans and receivables	Amortized cost

The carrying amount of the financial assets are not affected by the change in classification as the basis of measurement under PAS 39 and PFRS 9.

The Group does not have financial assets and financial liabilities which had previously been designated at FVPL to reduce an accounting mismatch in accordance with PAS 39 which had been reclassified to amortized cost or fair value through other comprehensive income (FVOCI) upon transition to PFRS 9.

The application of the PFRS 9 has no impact on the classification and measurement of the Group's financial liabilities.

(b) Impairment testing under expected credit loss (ECL) model

There is no remeasurement loss recognized in retained earnings as at January 1, 2018. The use of ECL, upon adoption of PFRS 9, did not result to any material additional impairment loss.

For receivables arising from sale of real estate, the Group has applied the standard's simplified approach and has calculated ECL based on lifetime ECL. The Group does not track changes in credit risk, but instead recognize loss allowance based on lifetime ECL at each reporting date.

For trade and other receivables, other than those arising from sale of real estate, the Group has also applied the standard's simplified approach and has also calculated ECL based on lifetime ECL.

For advances to related parties, the Group has applied the standard's general approach where the Group must determine whether the credit risk has not increased significantly since initial recognition (Stage 1), the credit risk has increased significantly since initial recognition (Stage 2), or the financial assets are credit-impaired (Stage 3).

The key inputs in the ECL model include the Group's definition of default and historical data for the origination, maturity date and default date. The Group considers receivables in default when the Group forfeits and reposseses the property from the customer through cancellation. However, in certain cases, the Group may also consider financial assets to be in default when internal and external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

The probability of default is applied to the estimate of loss arising on default which is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including repossession of subject memorial lawn lots and real estate projects, net of cash outflows.

The above process resulted to zero loss given default, thus, no impairment loss is recognized. The Group determines that the fair value of the real property which will be repossessed in case of default is higher than the outstanding balance and that forward-looking information indicates low credit risk.

The Group assessed that the adoption of PFRS 9, specifically on the determination of impairment loss using simplified approach has no significant impact on the carrying amounts of the Group's financial assets.

PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11 *Construction Contracts*, PAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a comprehensive framework for recognizing revenue from contracts with customers. The core principle in that framework is that an entity should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognize in accordance with that core principle by applying the following steps: (a) identify the contracts with customers; (b) identify the performance obligations in the contract; (c) determine the transaction price; (d) allocate the transaction price to the performance obligations in the contract; and (e) recognize revenue when the entity satisfies a performance obligation.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the framework to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract with a customer and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group has adopted PFRS 15 *Revenues from Contracts with Customers* from January 1, 2018. The effects of the adoption is summarized below:

(a) Sale of LPG, cylinders, stoves, accesories and industrial gases

Based on the Group's assessment, the Group has concluded that revenues from sale of LPG and industrial gases should be recognized at a point in time when control of the asset is transferred to the customer, which is upon delivery of goods. The adoption has no impact on the January 1, 2018 consolidated financial statements since the Group has been recognizing revenue in the same manner.

(b) Sale of memorial lots

Under PFRS 15, the Group has concluded that revenue from sale of memorial lots should be recognized at the point in time when control of the asset is transferred to the customer, generally when lawn lots are allowed to be used for burial which is upon 100% payment of purchase of lawn lot and upon 50% payment of family estate. The adoption has no impact on the consolidated financial statements since the Group has been recognizing revenue in the same manner.

(c) Sale of subdivision lots and office units

Before the adoption of PFRS 15, revenues from sale of subdivision lots and office units are recognized in full when substantially complete and upon receipt of sufficient down payment, provided that the profit is reliably determinable; that is, the collectability of the sales price is reasonably assured or the amount that will not be collected can be estimated reliably, and the earning process is virtually complete, that is the seller is not obliged to perform significant activities after the sale to earn the profit.

Under PFRS 15, the Group has concluded that revenue from sale of subdivision lots and office units should be recognized at a point in time when control is transferred to the customer which normally happens upon turnover of subdivision lots and office units to the buyer.

The adoption has no significant impact on the consolidated financial statements since all of its projects pertaining to subdivision lots and office units are completed.

(d) Sale of pharmaceutical products

The Group has concluded that revenues from sale of pharmaceutical products should be recognized at a point in time when control of the asset is transferred to the customer, which is upon delivery of goods. The adoption has no impact on the January 1, 2018 consolidated financial statements since the Group has been recognizing revenue in the same manner.

The recognition and measurement of PFRS 15 also apply to gains or losses on disposal of non-financial assets (such as property, plant and equipment and investment property), when that disposal is not in the ordinary course of business. However, in relation to transition to PFRS 15, the effects of these changes is not material for the Group.

PAS 40 (Amendment), *Investment Property – Transfers of Investment Property*

The amendments clarify that to transfer to, or from, investment properties there must be a change in use. A change in use would involve (a) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (b) supporting evidence that a change in use has occurred. The application of the amendments provides two options for transition: (a) An entity shall apply those amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments; or (b) retrospective application if, and only if, that is possible without the use of hindsight. The amendments have no material impact on the disclosures and amounts recognized on the Group's consolidated financial statements.

<u>New accounting standards, interpretations and amendments to existing standards effective subsequent to January 1, 2018</u>

Standards issued but not yet effective up to the date of the Group consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

Annual Improvements to PFRSs 2015-2017 Cycle

The annual improvements addressed the following issues:

PAS 12 (Amendment), I*ncome Taxes – 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 shall recognize 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.

PAS 23 (Amendment), *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.

The above improvements are effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

The application of the above improvements will have no significant impact on the disclosures and amounts recognized on the Group's consolidated financial statements. All of the Group's dividends are exempt from income tax and all of the Group's borrowings are expensed as incurred.

PAS 19 (Amendment), *Employee Benefits – Plan Amendment, Curtailment or Settlement*

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. The amendments also clarify how the requirements on accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements. The amendments are effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

This amendment will have no significant impact on the disclosures and amounts recognized in the Group's consolidated financial statements. Currently, the Group has no plan on amending its retirement benefit plan.

Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

This interpretation addresses how to apply the recognition and measurement requirements of PAS 12 *Income Taxes* when there is uncertainty over income tax treatments. This interpretation is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

The interpretation will have no significant impact on the Group's consolidated financial statements since the Group is recognizing its income taxes in accordance with PAS 12 *Income Taxes.*

PFRS 16, *Leases*

This new standard introduces a single lessee accounting model to be applied to all leases, whilst substantially carries forward the lessor accounting requirements in PAS 17 Leases. Lessees recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than twelve (12) months, unless the underlying asset is of low value. Whereas, lessors continue to classify leases as operating leases or finance leases, and to account for those two (2) types of leases differently. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16.

The adoption of the standard will result in recognition of an asset for the right to use the underlying asset over the lease term and a lease liability for the obligation to make lease payments in the consolidated statements of financial position. In addition, this will result in recognition of depreciation on the right-of-use asset and interest on lease liability in the consolidated statement of comprehensive income, and presentation of the total amount of cash paid into a principal portion and interest within financing activities in the consolidated statements of cash flows.

A lessee can choose to apply the standard using either full retrospective or a modified retrospective approach. The standard's transition provision permits such relief.

The Group expects the standard to have an impact on its operating lease agreements for sales offices, LPG refilling plants, LPG tank storages and land for the use of its operations which will require recognition of the right-of-use assets in the books and its related lease liability. Further, instead of rent expense, the Group will recognize amortization of right-of-use asset and finance cost.

PFRS 3 (Amendment), *Business Combinations – Definition of a Business*

The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. It narrows the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs. In addition, it provides guidance and illustrative examples to help entities assess whether a substantive process has been acquired and remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendment also adds an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted.

The amendments will not have an impact on the disclosures and amounts recognized on the Group's consolidated financial statements.

Determination of fair value and fair value hierarchy

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

The Group determines the policies and procedures for both recurring fair value measurement, such as financial assets at FVPL, and for nonrecurring measurement, such as investment properties.

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.

Fair value measurement disclosures of financial and non-financial assets are presented in Note 37 to the consolidated financial statements.

"Day 1" Difference

When 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 the consolidated statements of comprehensive income unless it qualifies for recognition as some other type of asset or liability. 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 the consolidated statements of comprehensive income 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.

<u>Financial instruments</u>

Initial recognition, measurement and classification

The Group recognizes financial assets and financial liabilities in the consolidated statements of financial position 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 market place are recognized on the settlement date.

With the exception of trade receivables that do not contain a significant financing component, financial assets and financial liabilities are recognized initially at fair value including transaction costs, except for those financial assets and liabilities at FVPL where the transaction costs are charged to expense in the period incurred. Trade receivables that do not contain a significant financing component are recognized initially at their transaction price.

The Group classifies its financial assets as subsequently measured at amortized cost and FVPL. The classification of financial assets depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing the financial assets. The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group classifies its financial liabilities as subsequently measured at amortized cost using the EIR.

Upon initial recognition, the Company may make an irrevocable election to present in other comprehensive income changes in the fair value of an equity investment that is not held for trading. The classification is determined on an instrument-by-instrument basis.

Financial assets at amortized cost

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

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

After initial measurement, financial assets at amortized cost are subsequently measured using the EIR method less allowance for impairment. Gains and losses are recognized in the profit or loss when the financial assets at amortized cost are derecognized, modified or impaired. These financial assets are included in current assets if maturity is within twelve (12) months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2018 and 2017, included under financial assets at amortized cost are the Group's cash, trade and other receivables (except advances to contractors and suppliers), and advances to related parties (see Notes 4, 6 and 20).

Cash includes cash on hand and demand deposits.

Trade and other receivables represent the Group's right to an amount of consideration that is unconditional.

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model.

As at December 31, 2018 and 2017, included under financial assets at FVPL are the Group's listed equity investments held for trading which the Group has not irrevocably elected to classify at FVOCI (see Note 5).

Financial liabilities at amortized cost

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading, or designated as at FVPL, are measured subsequently at amortized cost using the EIR.

The EIR is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

As at December 31, 2018 and 2017, included in financial assets at amortized cost are the Group's trade and other payables (excluding deposit for park internment services and due to government agencies), short-term debts, and dividends payable (see Notes 14, 16, and 19).

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables include non-trade payables and accrued expenses. Trade and other payables are classified as current liabilities if payment is due within one (1) year or less or in the normal operating cycle of the business if longer while non-trade payables are classified as current liabilities if payment is due within twelve (12) months or less. If not, these are presented as noncurrent liabilities.

Short-term debts represent cash payable to bank which are due within twelve (12) months.

Dividends payable represent dividends declared which remain unclaimed by stockholders as at the end of the reporting period.

Amortized cost and EIR method

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the EIR method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the EIR for debt instruments measured subsequently at amortized cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the EIR to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the EIR to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the EIR to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognizes interest income by applying the credit-adjusted EIR to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

For financial assets other than purchased or originated credit-impaired financial assets, the EIR is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted EIR is calculated by discounting the estimated future cash flows, including ECL, to the amortized cost of the debt instrument on initial recognition.

Interest income is recognized under Other income (net) in the consolidated statements of comprehensive income.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derecognition of financial assets and liabilities

Financial assets

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

- the rights to receive cash flows from the asset have 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 rights 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 risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement 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. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability was 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 the consolidated statements of comprehensive income.

Impairment of financial assets

The Group recognizes an allowance for ECL for all debt instruments that are measured at amortized cost. ECL are a probability-weighted estimate of credit losses over twelve (12) months or over the expected life of the financial asset depending on the degree of risk of default.

Credit losses are 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 the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For receivables arising from sale of real estate, the Group has applied the standard's simplified approach and has calculated ECL based on lifetime ECL. The Group does not track changes in credit risk, but instead recognize loss allowance based on lifetime ECL at each reporting date. The loss allowance shall only be adjusted if there is a decline in the fair value of real property which may be repossessed in case of default and such decline will render the fair value of the real property lower than the outstanding balance of the financial instruments.

For receivables other than those arising from sale of real estate, the Group assesses at each end of the reporting period whether the credit risk on a financial asset has increased significantly since initial recognition. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to the lifetime ECL. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to 12-month ECL. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within twelve (12) months after the reporting period.

When the credit risk on financial instruments for which lifetime ECL have been recognized subsequently improves, and the requirement for recognizing lifetime ECL is no longer met, the loss allowance is measured at an amount equal to 12-month ECL at the current reporting period, except for assets for which simplified approach was used.

The Group recognizes impairment loss (reversals) in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Significant increase in credit risk

Significant increase in credit risk is only assessed for receivables other than those arising from sale of real estate.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the end of reporting period with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, the Group assumes that the credit risk on receivables other than those arising from sale of real estate has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the end of reporting period. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than thirty (30) days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concessions that the lenders would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- decrease in the net realizable value of the real estate property which can be recovered from the debtor of sale of real estate if it defaults.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables arising from sale of real estate, when the real estate property which can be recovered if the debtor defaults is no longer saleable. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

<u>Inventories</u>

Inventories are composed of four (4) product lines namely: (1) LPG, cylinders, stoves and accessories, (2) industrial gases (3) real estate projects and (4) pharmaceutical products.

Inventories are initially measured at cost and subsequently measured at the lower of cost or net realizable value (NRV).

Cost consists of purchase price, conversion costs and other costs incurred in bringing the inventories to its present location and condition. Cost of real estate projects also include expenditures for the development and improvement of subdivision lots and memorial lots, and construction of the office units.

Cost of LPG, cylinders, stoves and accessories and industrial gases is determined using moving average method. Cost of real estate projects is determined using specific identification. And, cost of pharmaceutical products is determined primarily on the basis of first-in, first-out (FIFO) method. Cost of products sold includes invoice cost, excise taxes, overhead, freight and handling cost, refilling costs and excludes borrowings costs.

LPG, cylinders, stoves, accessories and industrial gases are classified as follows:

- *Raw materials* – pertain to calcium carbide and liquid oxygen used in the production of acetylene under industrial gases line.

- *Finished goods* – composed of two (2) product lines such as, (1) LPG, cylinders, stoves and accessories, and (2) industrial gases.

LPG, cylinders, stoves and accessories includes LPG bulk, content, and LPG already filled in the cylinders. LPG accessories pertain to burners and regulators.

Industrial gases pertain to oxygen and acetylene and other related gases which are produced and sold in the market.

- *General supplies* – include cylinder maintenance, electric and oxygen supplies used for production.

NRV for finished goods is the estimated selling price in the ordinary course of business less the estimated cost of marketing and distribution. NRV for raw materials and materials and supplies is the current replacement cost. In case of supplies, NRV is the estimated realizable value of the supplies when disposed of at their condition at the end of reporting period.

When the NRV of the inventories is lower than the cost, the Group provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in profit or loss. The amount of any reversal of any write-down of inventories, arising from an increase in NRV, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs. Any increase in NRV in excess of the expense previously recognized is not recognized.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

<u>Prepayments and other current assets</u>

Prepayments are expenses paid in cash and recorded as asset before they are used or consumed, as the service or benefit will be received in the future. Prepayments expired are recognized as expense either with the passage of time or through use or consumption.

This account is mainly composed of prepaid rent, taxes and licenses, insurance, maintenance, input valued-added tax (VAT), deferred charges and other prepaid items. Prepaid rent, insurance, maintenance and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statements of comprehensive income when incurred.

Input VAT is the indirect tax paid by the Group on the local purchase of goods or services from a VAT-registered person. Input VAT is deducted against output tax in arriving at the VAT due and payable.

Deferred charges represent project development cost paid in advance but has not yet been incurred as at year-end.

Prepayments and other current assets that are expected to be realized for not more than twelve (12) months after the end of the reporting period are classified as current assets, otherwise, these are classified as other noncurrent assets.

The Group, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses.

Property, plant and equipment

Property, plant and equipment are initially measured at cost. The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location of its intended use, and the initial estimate of the future costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the period in which the costs are incurred. Expenditures for additions, major improvements and renewals are capitalized.

Subsequent to initial recognition, its property, plant and equipment are measured using cost model and revaluation model.

(a) Revaluation model

The Group's land and land improvements, buildings and structures, machinery and equipment, oxygen and acetylene cylinders and hotel and office equipment are subsequently measured using revaluation model. Buildings and structures and machinery and equipment which are measured using revaluation model pertain to those which are specifically for industrial gases. These are carried at revalued amount, being the fair value at the date of revaluation as determined by an independent appraiser, less subsequent depreciation and impairment, provided that the fair value can be measured reliably. Additions subsequent to the date of appraisal are stated at revalued amount.

Revaluation is carried out regularly, so that the carrying amounts do not differ materially from its fair value as at the reporting date. If a revaluation results in an increase in value, it is credited to Revaluation reserves unless it represents the reversal of a revaluation decrease previously recognized as an expense, in which case it is recognized in profit or loss. A decrease arising as a result of a revaluation is recognized as an expense to the extent that it exceeds any amount previously credited to Revaluation reserves.

Depreciation of property, plant and equipment at revalued amount commences once the property, plant and equipment are available for use and computed using the straight-line basis over the estimated useful lives of property, plant and equipment as follows:

	In Years
Land and land improvements	40
Buildings and structures	20-40
Oxygen and acetylene cylinders	15
Machinery and equipment	9-10
Hotel and office equipment	9

The useful lives and depreciation method are reviewed annually to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

When these are disposed of, any Revaluation reserves are transferred directly to retained earnings. The transfer to retained earnings should not be made through profit or loss.

(b) Cost model

The Group's LPG plant, machinery and equipment, transportation equipment, leasehold improvements, furniture, fixtures and equipment, construction in-progress and other buildings and structures are subsequently measured using cost model. Buildings and structures and machinery and equipment which are measured using cost model pertain to those which are specifically for LPGs. These are stated at cost less accumulated depreciation and any impairment in value.

Depreciation of property, plant and equipment at cost commences once the property, plant and equipment are available for use and computed using the straight-line basis over the estimated useful lives of property, plant and equipment as follows:

	In Years
Buildings and structures	20-40
LPG plant, machinery and equipment	20
Leasehold improvements	5-15
Machinery and equipment	9
Transportation equipment	5-6
Furniture, fixtures and equipment	5

Construction in progress (CIP) is stated at cost. This includes cost of construction, borrowing cost, plant and equipment and any other direct cost. CIP is not depreciated. Upon completion, these are reclassified to the specific Property, plant and equipment (net) accounts.

Leasehold improvements are depreciated over its useful life, which is shorter than the lease term.

The useful lives and depreciation method are reviewed annually to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

When property, plant and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated property, plant and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, is measured initially at cost, including transaction costs. Cost includes purchase price and any other cost directly attributable to bringing the assets to its working condition and location for its intended use. Subsequent to initial recognition, investment properties are measured at cost less impairment loss, if any.

Subsequent expenditures relating to an item of investment properties that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Investment properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. The fair value less cost of disposal is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of comprehensive income.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statements of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for that asset in prior years.

Investment properties are derecognized when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statements of comprehensive income in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

As at December 31, 2018 and 2017, included in investment properties are the Group's land and memorial lots, which are held for lease and capital appreciation, respectively.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. 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. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business acquisition over the fair values of the identifiable net assets and liabilities acquired. Subsequent to initial recognition, it is measured at cost less any accumulated impairment losses.

Should the fair values of the identifiable net assets and liabilities acquired exceeds the cost of business acquisition, the resulting gain is recognized as a bargain purchase in the consolidated statements of comprehensive income. 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 the 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 portion of the CGU retained.

When a subsidiary is sold, the difference between the selling price and the net assets plus the carrying amount of goodwill is recognized in the consolidated statements of comprehensive income.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than the amount of the CGU to which the goodwill has been allocated (or to the aggregate carrying amount of a group of CGU to which the goodwill relates but cannot be allocated), an impairment loss is recognized immediately in the consolidated statements of comprehensive income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill at the end of each reporting period.

Impairment of non-financial assets except inventories and goodwill

At the end of each reporting period, the Group assesses whether there is any indication that any of its assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized as an expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Impairment losses recognized in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Customers' deposits

Customers' deposits pertain to amount paid in advance by customers in exchange of memorial lots or residential units which have not yet met the Group's revenue recognition criteria.

Borrowing cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the consolidated statements of comprehensive income in the period incurred.

Leases

Lease is classified at the inception period as a finance lease or an operating lease. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as a lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Group as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged in the consolidated statements of comprehensive income on a straight-line basis over the period of the lease.

Income taxes

The tax expense comprises current and deferred tax. Tax is recognized in the consolidated statements of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over 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, carry-forward benefits of unused tax credits from excess of MCIT over RCIT and unused NOLCO can be utilized.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each reporting date, the Group reassesses the need to recognize previously unrecognized deferred income tax asset.

Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax asset against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employee benefits

Short-term employee benefits

The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period that are expected to be settled wholly before twelve (12) months after the end of the reporting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement benefits obligation

The Group provides retirement benefits to employees through a defined benefit plan. A defined benefits plan is a pension plan that determines the amount of pension benefit an employee would receive upon retirement, usually dependent on several factors such as age, salary and length of service.

The net defined benefit liability or 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 asset, if any.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. The defined benefit cost comprises of the service cost, net interest on the defined benefit liability or asset and the remeasurement of net defined benefit liability or asset.

Retirement benefits expense comprises the following:

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

Service cost, which includes current service cost and gains and losses on settlement are recognized as expense in the consolidated statements of comprehensive income.

Past service cost is recognized as an expense at the earlier of the date when a plan amendment or curtailment occurs and the date when an entity recognizes any termination benefits, or related restructuring costs.

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

Remeasurements comprising actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified in the consolidated statements of comprehensive income in subsequent periods. All remeasurements are recognized in Remeasurement gains (loss) on retirement benefits obligation account under other comprehensive income, and is presented in the consolidated statements of financial position, are not reclassified to another equity account in subsequent periods.

Termination benefits

A termination benefit liability is recognized at the earlier of the following dates:

- when the Group can no longer withdraw the offer of those benefits, which occurs when employee accept offer of benefits on termination, and as a result of the Group's decision to terminate an employee's employment, or
- when the Group recognizes costs for restructuring which involves the payment of termination benefits.

Termination benefits are measured in accordance with the nature of employee benefit, whether short-term employee benefit, post-employment benefit or other long-term employee benefits.

Related party relationships and transactions

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

Related party relationship exists when: (a) a person or a close member of that person's family has control or joint control, has significant influence or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity; and (b) when any of the following conditions apply: (i) an entity and the reporting entity are members of the same group; (ii) one entity is an associate or joint venture of the other entity; (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party; (v) the entity is a post-employment benefit plan for the benefit of employees of the reporting entity; (vi) the entity is controlled or jointly controlled by a person as identified in (a) above; (vii) the entity or any member of a group of which it is part, provides key management personnel services to the reporting entity or to the parent of the reporting entity; (viii) a person identified in (a) above has significant influence over the reporting entity or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Capital stock represents the par value of the shares issued and outstanding as at reporting date.

Additional paid-in capital (APIC) includes any premiums received on the issuance of capital stock. Incremental costs directly attributable to the issue of new shares are deducted from APIC, net of tax. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one (1) class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Retained earnings represent accumulated earnings and losses of the Group, and any other adjustments to it as required by other standards, less dividends declared.

Treasury stocks represent own equity instruments reacquired, the amount of the consideration paid, including directly attributable cost, net of any tax effects, is recognized as a reduction from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as APIC. Voting rights related to treasury stocks are nullified for the Group and no dividends are allocated to them respectively.

When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to APIC to the extent of the specific or average APIC when the shares were issued and to retained earnings for the remaining balance.

Dividend distribution

Cash dividends on common shares are recognized as a liability and deducted from equity when approved by the Parent Company's BOD. Stock dividends are treated as transfers from retained earnings to capital stock. Dividends for the year that are approved after the end of the reporting period are dealt with as a non-adjusting event after the end of reporting period.

Revenue recognition

Revenue is recognized when control of the goods or services are transferred to customer at an amount that reflects the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue from the following sources:

(a) Sale of LPG, cylinders, stoves, accessories and industrial gases

Revenue from sale of LPG, cylinders, stoves, accessories and industrial gases are recognized when control of the goods has transferred, being at the point the customer purchases the goods at refilling plant terminal and retail outlet and when the goods have been shipped to the wholesaler's specific location.

(b) Sale of real estate

Revenues from sale of real estate arise from sale of memorial lots, subdivision lots and office units.

Revenues from sale of memorial lots are recognized at a point in time when control of the asset is transferred to the customer, generally when lots are allowed to be used for burial which is upon 100% payment for purchase of lawn lot and upon 50% payment for purchase of family estate.

Revenues from sale of subdivision lots and office units are recognized at a point in time when control is transferred to the customer which normally happens upon turnover of subdivision lots and office units to the buyer.

(c) Sale of pharmaceutical products

Revenues from sale of pharmaceutical products are recognized at a point in time when control of the asset is transferred to the customer which is upon sale of pharmaceutical products to customer.

(d) Revenues arising from hotel operations

Revenues are recognized when services are rendered, while those from banquet and other special events are recognized when the events take place. These are shown under hotel operations account in the Group's statements of comprehensive income.

(e) Interest income

Interest is recognized on a time proportion basis using the effective interest method.

(f) Dividend income

Dividend income is recognized when the Group's right to receive payment is established. The right to receive payment is usually established when the dividend is declared by BOD.

(g) Other comprehensive income

Other comprehensive income comprises items of income and expenses, including items previously presented under the consolidated statements of changes in equity, that are not recognized in profit or loss for the year in accordance with PFRS.

(h) Other income

Other income is recognized when earned.

Expense recognition

Cost and expenses are recognized in the consolidated statements of comprehensive income when decrease in the future economic benefit related to a decrease in an asset or an increase in liability has arisen that can be measured reliably.

Cost of of LPG, cylinders, stoves, accessories, industrial gases and pharmaceutical products sold is recognized as expense when the related goods are sold.

Cost of real estate projects sold is determined based on the actual development costs incurred to date plus estimated cost to complete the project as determined by the Group's technical staff and contractors, in case of incomplete projects. These estimates are reviewed periodically to take into consideration the changes in cost estimates.

Cost of hotel operations includes salaries and wages of hotel staff, supplies, outside services and repairs and maintenance and other costs attributable to hotel operations.

Selling expenses are costs incurred to sell or distribute inventories. General and administrative expenses constitute costs of administering the business which are expensed as incurred.

Cost to obtain a contract

The Group pays sales commission to its employees for each contract that they obtain for sale of memorial lots and subdivision lots. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (included under Salaries, wages and benefits as part of Cost of goods sold) since the amortization period of the asset that the Group otherwise would have used is one (1) year or less.

Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (functional currency). The consolidated financial statements are presented in Philippine peso (₱) the Group's functional and presentation currency.

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 pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and the amount can be estimated reliably. The expense relating to any provision is presented in the consolidated statements of comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

The Group’s operating business segment are organized and managed separately according to business activities. The Group’s management monitors the operating result of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group’s financing which includes finance cost, impairment of assets and income taxes are managed on a group basis and are not allocated to operating segments.

The Group has no geographical segment for segment reporting format as the Group’s risks and rates of return are in the same economic and political environment as the Group is incorporated and operating in the Philippines.

The Group has three (3) operating business segments representing the Group’s (1) real estate, (2) LPG and industrial gases, and (3) pharmaceutical products.

Earnings per share

Earnings per share is computed by dividing net income by the weighted average number of common shares issued, subscribed and outstanding during the year with retroactive adjustments for stock dividends declared.

Events after the reporting date

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances at the end of the reporting period. Actual results could differ materially from such estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant accounting judgments in applying the Group's accounting policies

(a) Business model assessment

Classification and measurement of financial assets depends on the results of the business model and solely for payments of principal and interest test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

(b) Impairment of financial assets

The Group makes use of simplified approach in determining the ECL for receivables arising from sale of real estate and general approach for receivables other than those arising from sale of real estate.

Simplified approach is used for receivables arising from sale of real estate since these are generally short term in nature and are protected by credit enhancement, where real property may be repossessed in case of default of debtor. Credit risk generally arises when there is a decline in the fair value of the real property and such decline will make the fair value of the real property lower than the carrying amount of the receivables. Fair value of real properties is not expected to change abruptly. Hence, simplified approach is used for determining allowance for ECL for these receivables.

Simplified approach is also used for computing ECL based on lifetime ECL for trade and other receivables, other than those arising from sale of real estate, since these are generally short term in nature.

General approach is used for receivables other than those arising from sale of real estate. ECL for these receivables is measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. The Group does not track changes in credit risk for receivables arising from sale of real estate.

Management believes that there are no indications that its trade and other receivables and advances to a related party are impaired as at December 31, 2018. The management likewise assessed that there is no increase in credit risk for receivables other than those arising from real estate for the years ended December 31, 2018 and 2017.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires estimation of the value of CGU to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Management believes that there are no indications that the goodwill is impaired as at December 31, 2018 and 2017.

(d) *Impairment of non-financial assets other than inventories*

Management is required to perform test of impairment when impairment indicators are present. Property, plant and equipment and investment properties (see Notes 10, 11 and 12) are periodically reviewed to determine any indications of impairment. Management is required to make estimates to determine future cash flows to be generated from the continued use and ultimate disposition of these assets in order to determine the value in use. Though the management believes that the estimates and assumptions used in the determination of recoverable amounts are reasonable and appropriate, significant changes in these assumptions may materially affect the assessment of the recoverable amounts and any resulting impairment loss could have a material adverse effect in the results of operations.

Management believes that there are no indications that its inventories, real estate projects, property, plant and equipment and investment properties are impaired.

(e) *Distinction between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment.

(f) *Determining the timing of satisfaction of sale of memorial lots, subdivision lots and office units*

The Group concluded that revenues from sales of memorial lots, subdivision lots and office units are recognized at a point in time when control of the asset is transferred to the customer. For sale of memorial lots, control is generally transferred when lots are allowed to be used for burial which is upon 100% payment of purchase of lawn lot and upon 50% payment of family estate. For sale of subdivision lots and office units, control is transferred upon turnover to the buyer.

(g) *Operating lease*

Group as lessor

The Group has entered into commercial property leases as lessor on its investment properties. The Group has determined that it retains all significant risks and rewards of ownership of these properties as the Group considered among others the length of the lease term as compared with the estimated useful life of the assets. Accordingly, the Group accounted for these as operating leases.

Group as lessee

The Group has entered into various lease agreements as lessee. The Group classified the lease as operating lease, since the Group believes that the lessor does not transfer substantially all the risks and benefits on the ownership of the assets.

(h) Income taxes

Significant judgment is required in determining the provision for income taxes. Recognition of deferred income taxes depends on management's assessment of the probability of available future taxable income against which the temporary difference can be applied. Realization of future tax benefit related to the deferred tax assets is dependent on many factors, including the Group's ability to generate taxable income during the periods in which those temporary differences are expected to be recovered. Management has considered these factors in reaching its conclusion to provide a full valuation allowance on deferred tax assets in as much as management assessed that the carry forward benefit is not realizable in the near future.

Significant accounting estimates and assumptions

(a) Impairment of trade and other receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

The carrying amount of the Group's financial assets amounted to ₱358.10 million and ₱331.46 million at December 31, 2018 and 2017, respectively. Allowance for ECL recognized in the consolidated statements of financial position amounted to nil and ₱30.59 million as at December 31, 2018 and 2017, respectively (see Note 6).

In 2018, the Company reversed all of its allowance for ECL. It is the management's judgment that all of its trade and other receivables will be collectible based on, among others, its historical credit experience with its debtors, the future economic conditions, and laws governing real estate sales.

(b) Determining the NRV of inventories

In determining the NRV of inventories, the management takes into account the most reliable evidence available at the time the estimates are made. Prices are affected by both internal and external factors that may cause inventory obsolescence. These factors may cause significant adjustment to the Group's inventories within the next reporting period.

The carrying amount of the Group's inventories which are carried at cost as at December 31, 2018 and 2017 amounted to ₱1.07 billion and ₱787.57 million, respectively (see Note 7). The carrying amount of the Group's real estate projects which are also carried at cost as at December 31, 2018 and 2017 amounted to ₱816.04 million and ₱844.66 million (see Note 8).

(c) Estimating the useful lives of property, plant and equipment except land

The Group estimates the useful lives of its property, plant and equipment, except land, based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed and updated, if expectations differ from previous estimates due to physical wear and tear. The estimation of the useful lives of property, plant and equipment is based on a collective assessment of industry practice and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase recorded operating expenses and decrease noncurrent assets.

As at December 31, 2018 and 2017 the carrying amounts of property, plant and equipment, net of carrying amount of land amounting to ₱1.83 billion and ₱1.46 billion, amounted to ₱5.17 billion and ₱4.26 billion, respectively (see Notes 10 and 11).

(d) Retirement benefits obligation

The present value of the retirement benefits obligation depends on a number of factors that are determined on an actuarial basis using the number of assumptions. The assumptions used in determining the retirement benefit expense include the discount rate and salary increase rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefits obligation. In determining the appropriate discount rate, the Group considers the interest rates of government bonds and has terms of maturity approximating the terms of the related retirements benefit obligation.

Other key assumptions for retirement benefits obligation are based in part on current market conditions.

The carrying amount of the Group’s retirement benefits obligation amounted to ₱117.25 million and ₱132.06 million as at December 31, 2018 and 2017, respectively (see Note 27).

(e) Recognition and realizability of deferred tax assets

Deferred tax assets are recognized for all unused tax losses and future tax credits. At end of the reporting period, the Group reviews its deferred tax assets and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on industry trends and projected performance in assessing the sufficiency of taxable income.

As at December 31, 2018 and 2017, the Group recognized deferred tax assets amounting to ₱35.17 million and ₱39.62 million (see Note 29).

4. CASH

This account as at December 31 consists of:

	2018	2017
Cash on hand	**₱78,764,807**	₱74,151,647
Cash in banks	**770,081,532**	734,677,336
	₱848,846,339	₱808,828,983

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from bank deposits is disclosed as part of the Other income (net) account in the consolidated statements of comprehensive income in the amount of ₱1.33 million and ₱0.61 million for the years ended December 31, 2018 and 2017, respectively (see Note 25).

There are no legal restrictions on the Group's cash as at December 31, 2018 and 2017.

5. FINANCIAL ASSETS AT FVPL

The movement of the account is as follows:

	2018	2017
Cost		
Balance at beginning of year	**₱619,653,819**	₱356,289,815
Additions	**896,370,802**	713,531,925
Disposals	**(774,293,727)**	(450,167,921)
	741,730,894	619,653,819
Fair value gain	**63,605,754**	110,626,583
Balance at end of year	**₱805,336,648**	₱730,280,402

The movements of the fair value gain as at December 31 are as follows:

	2018	2017
Balance at beginning of year	**₱110,626,583**	₱73,305,099
Fair value gain (loss) during the year	**(47,020,829)**	37,321,484
Balance at end of year	**₱63,605,754**	₱110,626,583

This consists of equity securities from various listed companies in the Philippines. The fair values of these securities have been determined directly by reference to published prices quoted in the active market at the end of the reporting period.

Proceeds from the sale of the Group's financial assets at FVPL for the years ended December 31, 2018 and 2017 amounted to ₱806.40 million and ₱521.33 million, which resulted to gain on sale of ₱32.10 million and ₱71.17 million, respectively, and is presented under Other income (net) in the consolidated statements of comprehensive income (see Note 25).

Dividend income earned from financial assets at FVPL is presented under Other income (net) in the consolidated statements of comprehensive income amounting to ₱40.73 million and ₱8.61 million for the years ended December 31, 2018 and 2017, respectively (see Note 25).

6. TRADE AND OTHER RECEIVABLES (NET)

This account as at December 31 consists of:

	2018	2017
Trade	**₱194,548,686**	₱218,874,047
Receivables from memorial lot owners	**46,499,255**	53,849,000
Advances to officers and employees	**31,795,251**	23,636,583
Advances to contractors and suppliers	**22,348,525**	16,966,654
Refundable deposits	**10,451,294**	8,824,148
Others	**52,454,745**	39,898,105
	358,097,756	362,048,537
Less: Allowance for ECL	**-**	30,589,742
	₱358,097,756	₱331,458,795

Trade receivables arising from sale of LPG and industrial gases are usually due within thirty (30) to one hundred twenty (120) days and do not bear any interest. Trade receivables arising from sale of memorial lots, subdivision lots and office units are paid on a monthly basis with various terms ranging from one (1) to five (5) years.

Receivables from memorial lot owners pertain to advance payment made by the Group for the maintenance and upkeep of sold memorial lots which are reimbursable from the memorial lot owners.

Advances to officers and employees are, in general, non-interest bearing and collectible through salary deductions except car plans. The car plans offered to officers and employees bear interest up to 24% per annum with repayment terms.

Advances to contractors and suppliers pertain to advance payments made to suppliers and contractors for the development of real estate projects and acquisition of property, plant and equipment which will be subsequently reclassified to property, plant and equipment once the title has been transferred to the Group.

Refundable deposits mainly represent bonds paid to various suppliers.

Others mainly consists of receivable from sale of land, sale of financial assets at FVPL and payments made to Homeowner’s Association subject for reimbursement with subdivision lot owners.

The details and movements in the allowance for ECL are as follows:

	2018	2017
Balance at beginning of year	**₱30,589,742**	₱30,589,742
Reversal of allowance for ECL – note 25	**(30,589,742)**	-
Balance at end of year	**₱-**	₱30,589,742

The allowance in prior years that were subsequently collected pertains to long outstanding trade receivables, that were provided 100% loss rate based on the Group’s internal policy.

The Group is not expected to have similar transactions with the same customers in the future. Income from reversal of allowance for ECL is presented under Other income (net) in the consolidated statements of comprehensive income (see Note 25).

There are no receivables that are neither past due nor impaired that have been negotiated as at December 31, 2018 and 2017.

7. INVENTORIES

This account as at December 31 consists of:

	2018	2017
Finished goods		
LPG, cylinders, stoves and accessories	**₱870,404,756**	₱647,705,282
Industrial gases	**12,443,295**	56,058,253
Pharmaceutical products	**8,009,709**	5,686,286
	890,857,760	709,449,821
In-transit LPG	**68,510,168**	-
Material and supplies	**99,273,973**	71,306,989
Raw materials	**13,428,804**	6,814,156
	₱1,072,070,705	₱787,570,966

Inventories are stated at cost. In-transit LPG pertains to LPG inventories that are under the cost, insurance and freight (CIF) shipping term. The title and risk of loss shall pass to the Group on delivery of the goods to the carrier. As at December 31, 2018, in transit LPG inventories are on board the carrier heading towards the Philippines marine fed terminal for customs clearance.

The Group's inventories are carried at cost, which is lower than the net realizable value.

There are no inventories pledged as security for liabilities as at December 31, 2018 and 2017.

Inventories charges to cost of sales for the years ended December 31 are as follows (see Note 22):

	2018	2017
LPG, cylinders, stoves and accessories	**₱7,466,077,142**	₱6,751,840,710
Industrial gases	**218,394,676**	195,018,325
Pharmaceutical products	**29,902,625**	27,080,705
	₱7,714,374,443	₱6,973,939,740

8. REAL ESTATE PROJECTS

Real estate projects as at December 31 consist of:

	2018	2017
Memorial park lots	**₱438,357,153**	₱437,901,349
Subdivision lots	**102,853,770**	105,015,532
Office units	**57,662,892**	98,768,412
Land held for future development	**217,163,207**	202,979,143
	₱816,037,022	₱844,664,436

The real estate project are stated at cost which is lower than NRV.

As at December 31, 2018 and 2017, there is no real estate project pledged as security for liabilities and no restriction on title had been imposed. No contractual commitments have been entered into by the Group for acquisition of any properties related to real estate projects.

The cost of real estate projects recognized as cost of sales in the Group's consolidated statements of comprehensive income amounted to ₱62.90 million in 2018 and ₱33.81 million in 2017 (see Note 22).

9. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	2018	2017
Prepayments		
Rent	**₱25,415,357**	₱4,111,704
Taxes and licenses	**12,055,274**	12,138,966
Insurance	**7,924,419**	6,550,820
Maintenance	**655,617**	834,246
Input VAT, net	**21,870,857**	7,497,157
Deferred charges	**1,061,630**	1,061,629
Others	**6,002,270**	36,017,582
	₱74,985,424	₱68,212,104

Prepaid taxes and licenses represent advance payment of business taxes for the succeeding year.

Prepaid insurance pertains to the portion of the insurance premium that has been paid in advance and has not been expired.

Prepaid maintenance pertains to maintenance costs paid in advance for the requalification procedures on LPG bulk tanks and other machinery.

Input VAT represents the taxes paid on purchases of goods and services which can be recovered as tax credit against future output VAT liability of the Company.

Others include advances to suppliers, terminal refilling and other plant repairs that are amortized within one (1) year.

10. PROPERTY, PLANT AND EQUIPMENT AT REVALUED AMOUNTS (NET)

Reconciliation of the carrying amounts as at December 31 and the gross carrying amounts and the accumulated depreciation of revalued property, plant and equipment are as follows:

December 31, 2018

	Net carrying amounts, January 1, 2018	Additions	Depreciation	Reclassification	Disposals	Net carrying amounts, December 31, 2018
Land and land improvements	**₱1,475,127,433**	**₱73,691,244**	**(₱2,184,500)**	**₱-**	**(₱1,836,900)**	**₱1,544,797,277**
Buildings and structures	**852,641,430**	**19,791,850**	**(87,429,629)**	**170,025,383**	**-**	**955,029,034**
Machinery and equipment	**2,121,536,019**	**30,746,855**	**(136,606,095)**	**345,521,469**	**(5,884,647)**	**2,355,313,601**
Oxygen and acetylene cylinders	**278,500,848**	**12,762,998**	**(31,036,040)**	**-**	**(4,243,183)**	**255,984,623**
Hotel and office equipment	**7,411,339**	**-**	**(818,500)**	**-**	**-**	**6,592,839**
	₱4,735,217,069	**₱136,992,947**	**(₱258,074,764)**	**₱515,546,852**	**(₱11,964,730)**	**₱5,117,717,374**

	Revalued cost	Accumulated depreciation	Net carrying amounts, December 31, 2018
Land and land improvements	**₱1,563,906,629**	**(₱19,109,352)**	**₱1,544,797,277**
Buildings and structures	**1,563,090,727**	**(608,061,693)**	**955,029,034**
Machinery and equipment	**4,660,603,491**	**(2,305,289,890)**	**2,355,313,601**
Oxygen and acetylene cylinders	**962,406,041**	**(706,421,418)**	**255,984,623**
Hotel and office equipment	**73,278,235**	**(66,685,396)**	**6,592,839**
	₱8,823,285,123	**(₱3,705,567,749)**	**₱5,117,717,374**

December 31, 2017

	Net carrying amounts, January 1, 2017	Additions	Depreciation	Reclassification	Disposals	Net carrying amounts, December 31, 2017
Land and land improvements	₱1,374,764,733	₱105,319,025	(₱2,184,500)	₱-	(₱2,771,825)	₱1,475,127,433
Buildings and structures	797,687,089	25,919,204	(81,668,368)	110,703,505	-	852,641,430
Machinery and equipment	1,656,868,174	11,169,589	(133,410,396)	589,604,006	(2,695,354)	2,121,536,019
Oxygen and acetylene cylinders	296,601,019	11,466,991	(29,563,791)	-	(3,371)	278,500,848
Hotel and office equipment	8,229,839	-	(818,500)	-	-	7,411,339
	₱4,134,150,854	₱153,874,809	(₱247,645,555)	₱700,307,511	(₱5,470,550)	₱4,735,217,069

	Revalued cost	Accumulated depreciation	Net carrying amounts, December 31, 2017
Land and land improvements	₱1,492,052,285	(₱16,924,852)	₱1,475,127,433
Buildings and structures	1,373,273,495	(520,632,065)	852,641,430
Machinery and equipment	4,290,219,814	(2,168,683,795)	2,121,536,019
Oxygen and acetylene cylinders	953,886,225	(675,385,377)	278,500,848
Hotel and office equipment	73,278,235	(65,866,896)	7,411,339
	₱8,182,710,054	(₱3,447,492,985)	₱4,735,217,069

If revalued property, plant and equipment were carried at cost, the carrying amounts would be as follows:

December 31, 2018

	Cost	**Accumulated depreciation**	**Net carrying amounts, December 31, 2018**
Land and improvements	**₱642,900,160**	**(₱13,441,794)**	**₱629,458,366**
Buildings and structures	**581,422,917**	**(419,255,379)**	**162,167,538**
Machinery and equipment	**3,298,813,281**	**(2,090,095,302)**	**1,208,717,979**
Oxygen and acetylene cylinders	**566,379,028**	**(498,851,714)**	**67,527,314**
Hotel and office equipment	**55,145,308**	**(50,716,832)**	**4,428,476**
	₱5,144,660,694	**(₱3,072,361,021)**	**₱2,072,299,673**

December 31, 2017

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2017
Land and land improvements	₱503,077,020	(₱12,973,885)	₱490,103,135
Buildings and structures	561,787,683	(369,030,588)	192,757,095
Machinery and equipment	3,271,579,084	(1,993,092,757)	1,278,486,327
Oxygen and acetylene cylinders	555,615,739	(489,849,259)	65,766,480
Hotel and office equipment	55,145,308	(49,375,188)	5,770,120
	₱4,947,204,834	(₱2,914,321,677)	₱2,032,883,157

Depreciation charged to operations was allocated as follows:

	2018	2017
Cost of sales		
LPG, cylinders, stoves and accessories – note 22	**₱135,225,874**	₱150,754,457
Industrial gases – note 22	**29,275,206**	23,309,847
Operating expenses		
Selling – note 23	**30,163,406**	18,391,132
General and administrative – note 23	**63,410,278**	55,190,119
	₱258,074,764	₱247,645,555

As at December 31, 2018 and 2017, certain property, plant and equipment was disposed for a total consideration of ₱39.33 million and ₱7.83 million, resulting into a gain of ₱27.37 million and ₱2.36 million, respectively. The gains on disposal were under Other income (net) in the consolidated statements of comprehensive income (see Note 25).

The above depreciation includes depreciation on appraisal increase amounting to ₱118.97 million for the years ended December 31, 2018 and 2017, which also represents transfer of realized portion of revaluation reserve to retained earnings.

The property, plant and equipment were appraised on various dates from June to September 2016 by an independent firm of appraiser based on the market value using the market data approach. The value of property, plant and equipment are based on sales, listings and market transactions between market participants at the measurement date.

As at December 31, 2018 and 2017, the revaluation reserve on the property, plant and equipment carried at revalued amount is ₱1.62 million and ₱1.70 million, which is presented under Other comprehensive income and are shown in Revaluation reserves in the consolidated statements of changes in equity.

A portion of the Group's land with a carrying amount of ₱172.62 million is mortgaged to secure payment of short-term debt as at December 31, 2018 (see Note 16). No contractual commitments have been entered into by the Group for acquisition of any property, plant and equipment.

11. PROPERTY, PLANT AND EQUIPMENT AT COST (NET)

Details of property, plant and equipment are as follow:

December 31, 2018

	Net carrying amounts, January 1, 2018	Additions	Reclassification	Disposals	Depreciation	Net carrying amounts, December 31, 2018
LPG plant, machinery and equipment	**₱104,708,398**	**₱76,853,631**	**₱-**	**₱-**	**(₱16,409,350)**	**₱165,152,679**
Machinery and equipment	**468,928,321**	**42,786,761**	**-**	**(1,444,799)**	**(49,159,823)**	**461,110,460**
Transportation equipment	**78,076,797**	**173,344,903**	**-**	**(7,727,153)**	**(33,574,300)**	**210,120,247**
Leasehold improvement	**1,527,114**	**154,850**	**-**	**-**	**(1,304,705)**	**377,259**
Furniture, fixtures and equipment	**26,405,906**	**16,295,762**	**-**	**-**	**(9,932,729)**	**32,768,939**
CIP	**295,874,769**	**1,220,244,303**	**(515,546,852)**	**-**	**-**	**1,000,572,220**
Building and structures	**6,224,026**	**-**	**-**	**-**	**(461,974)**	**5,762,052**
	₱981,745,331	**₱1,529,680,210**	**(₱515,546,852)**	**(₱9,171,952)**	**(₱110,842,881)**	**₱1,875,863,856**

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2018
LPG plant machinery and equipment	**₱259,095,534**	**(₱93,942,855)**	**₱165,152,679**
Machinery and equipment	**664,588,906**	**(203,478,446)**	**461,110,460**
Transportation equipment	**534,252,100**	**(324,131,853)**	**210,120,247**
Leasehold improvement	**17,399,402**	**(17,022,143)**	**377,259**
Furniture, fixtures and equipment	**148,006,823**	**(115,237,884)**	**32,768,939**
Construction in progress	**1,000,572,220**	**-**	**1,000,572,220**
Building and structures	**9,239,473**	**(3,477,421)**	**5,762,052**
	₱2,633,154,458	**(₱757,290,602)**	**₱1,875,863,856**

December 31, 2017

	Net carrying amounts, January 1, 2017	Additions	Reclassification	Disposals	Depreciation	Net carrying amounts, December 31, 2017
LPG plant machinery and equipment	₱78,167,924	₱43,255,281	₱-	₱-	(₱16,714,807)	₱104,708,398
Machinery and equipment	331,483,543	26,324,333	133,225,959	(544,319)	(21,561,195)	468,928,321
Transportation equipment	76,229,632	24,883,666	-	(86,571)	(22,949,930)	78,076,797
Leasehold improvement	2,828,888	-	-	-	(1,301,774)	1,527,114
Furniture, fixtures and equipment	22,014,906	13,513,393	-	-	(9,122,393)	26,405,906
CIP	801,907,093	327,501,146	(833,533,470)	-	-	295,874,769
Building and structures	6,686,000	-	-	-	(461,974)	6,224,026
	₱1,319,317,986	₱435,477,819	(₱700,307,511)	(₱630,890)	(₱72,112,073)	₱981,745,331

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2017
LPG plant machinery and equipment	₱182,241,903	(₱77,533,505)	₱104,708,398
Machinery and equipment	623,246,944	(154,318,623)	468,928,321
Transportation equipment	368,634,350	(290,557,553)	78,076,797
Leasehold improvement	17,244,552	(15,717,438)	1,527,114
Furniture, fixtures and equipment	131,711,061	(105,305,155)	26,405,906
Construction in progress	295,874,769	-	295,874,769
Building and structures	9,239,473	(3,015,447)	6,224,026
	₱1,628,193,052	(₱646,447,721)	₱981,745,331

Depreciation charged to operations was allocated as follows:

	2018	2017
Cost of sales		
LPG, cylinders, stoves and accessories - note 22	**₱58,353,116**	₱24,471,280
Industrial gases – note 22	**5,809,917**	11,222,340
Operating expenses		
Selling – note 23	**21,059,733**	10,335,083
General and administrative - note 23	**25,620,115**	26,083,370
	₱110,842,881	₱72,112,073

CIP pertains mainly to construction contracts for the site construction and installation of various mounded cylindrical LPG tank storage. This construction contracts amounted to ₱105 million for every 4,177 cubic meters.

As at December 31, 2018 and 2017, certain property, plant and equipment were disposed for a total consideration of ₱12.25 million and ₱0.90 million, respectively resulting into a gain of ₱3.08 million and ₱0.27 million. The gain on disposal was included in Other income (net) in the profit or loss (see Note 25).

As at December 31, 2018 and 2017, there are no property, plant and equipment (at cost) pledged as security for liabilities and no restrictions on title had been imposed. No contractual commitments have been entered into by the Group for acquisition of any property, plant and equipment.

12. INVESTMENT PROPERTIES

This account consists of:

	2018	2017
Memorial lots	**₱78,470,747**	₱78,470,747
Land	**37,027,141**	37,027,141
	₱115,497,888	₱115,497,888

The movements of the investment properties as at December 31 are as follows:

	2018	2017
Balance at beginning of year	**₱115,497,888**	₱109,957,888
Additions for the year	**-**	5,540,000
Balance at end of year	**₱115,497,888**	₱115,497,888

On March 31, 2017 and September 4, 2017, PGI, Polytech Industrial Corporation and Site Resources Development Corporation entered into an agreement for the rescission of the Dacion en Pago covering several parcels of memorial lots dated March 11, 2004 and August 3, 2004, respectively. In fulfillment of the agreement, the Group paid ₱5,540,000 thereby rescinding the Dacion en Pago.

The memorial lots are located in various memorial parks owned and operated by the Parent Company in Mindanao. With the termination of the rehabilitation plan and PGI's intention to hold these assets for capital appreciation, the memorial lots have been reclassified to investment properties from previously classified as assets held for dacion en pago.

The land pertains to three (3) parcels of land located in Luzon, which were acquired in 2014. These parcels of land are held for lease by one of its subsidiaries.

As at December 31, 2018 and 2017, there are no investment properties pledged as security for liabilities and no restrictions on title had been imposed. No contractual commitments have been entered into by the Group for acquisition of any investment properties.

The fair value of the land is the same as its cost since the management believes that the fair value of the investment properties does not significantly change from the time of acquisition. The Group considers the carrying amount of the memorial lots to be a reasonable approximation of their fair values. The approximation is assessed by management based on the selling price of memorial lots by the Parent Company.

As at December 31, 2018 and 2017, the aggregate fair value of the investment property amounted to ₱598.91 million and ₱427.27 million, respectively.

13. GOODWILL

Goodwill as at December 31 mainly comprises the excess of the cost of acquiring the controlling shares of the subsidiaries over the fair value of the identifiable assets and liabilities acquired by the Parent Company.

	2018	2017
Attributable to:		
Investment in subsidiaries by Parent Company		
PGI	**₱76,377,066**	₱68,897,066
PPhI	**1,771,239**	1,771,239
	₱78,148,305	₱70,668,305

Acquisition of PGI

The recoverable amount of PGI's CGU was based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to cash flow projections of 8.0%. Cash flows beyond the five-year period are extrapolated using the steady growth rate of 1.0%. The carrying value of goodwill amounted to ₱76.38 million and ₱68.90 million as at December 31, 2018 and 2017. No impairment loss was recognized for goodwill arising from the acquisition of PGI.

The calculations of value in use for the PGI's CGU are most sensitive to the following assumptions:

- Budgeted gross margin – The management determined budgeted gross margin based on past performance and its expectations for the market development.
- Growth rate – The projected growth rate is based on a conservative steady growth rate that does not exceed the compounded annual growth rate of the global LPG industry.
- Pre-tax discount rate – Discount rates reflect management's best estimate of the risks associated with the specific CGU. This is the benchmark rate used by management to measure operating performance.

On the assessment of the value in use of PGI, management believes that no reasonably possible change in any of the aforementioned assumptions would cause the carrying value of the CGU to exceed their recoverable amount.

In 2018, the Parent Company acquired from PGI's previous shareholder 8,500,000 shares for ₱15.98 million.

Acquisition of PPhI

On July 2, 2015, the Parent Company and its subsidiary, PGI, subscribed to 7.5 million and 1.495 million common shares of PPhI, respectively, at a subscription price of ₱1 per share for a total consideration of ₱7.50 million and ₱1.50 million, respectively. As a result of the subscription, the Parent Company owns 75% direct equity interest and 13.61% indirect equity interest (through PGI) in PPhI.

The following table summarizes the consideration transferred for the fair value of the net assets acquired assumed at the acquisition date.

Net assets	₱7,638,348
Share of non-controlling shareholders	(1,909,587)
	5,728,761
Total consideration transferred	(7,500,000)
Goodwill	₱1,771,239

14. TRADE AND OTHER PAYABLES

This account as at December 31 consists of:

	2018	2017
Accounts payable:		
Trade	**₱769,587,784**	₱485,250,574
Nontrade	**6,706,034**	6,383,809
Deposits for park internment services	**99,642,455**	98,821,755
Due to park maintenance fund	**46,267,176**	17,245,826
Accrued expenses	**23,444,917**	14,417,103
Cylinder deposits	**23,223,845**	56,000,100
Due to government agencies	**22,404,405**	42,374,975
Reserve fund liability	**5,692,628**	6,643,777
Deferred income	**2,673,456**	2,701,877
Others	**21,495,560**	-
	₱1,021,138,260	₱729,839,796

Trade payables pertains to amount due to supplier payable within 30 days from date of sale and do not bear interest.

Deposits for park interment services represent accumulated collections from memorial lot owners exclusively intended for future interment services.

Due to park maintenance fund represent contributions made by memorial lot owners for the upkeep and maintenance of the memorial cemetery.

Accrued expenses pertain to accrual of salaries and wages, utilities, maintenance and security agency fees.

Cylinder deposits pertain to deposits made by customers for its industrial gases and fifty (50) kg. LPG cylinders lent out by the Group.

Due to government agencies include SSS, HDMF and PHIC payable, withholding taxes and other taxes payable.

Reserve fund liability is a pool of funds contributed by the Group's officers to cover for future losses due to wrong decisions.

Deferred income pertains to interest related to the car plans offered by the Group to certain officers and employees.

15. CUSTOMERS' DEPOSITS

This account represents accumulated collections on memorial lots sold to customers but have not yet met the Group's specific revenue recognition criteria. Such deposits will be recognized as revenues when the revenue recognition criteria of the Group has been met.

The customers' deposits amounted to ₱109.32 million and ₱140.11 million as at December 31, 2018 and 2017, respectively.

16. SHORT-TERM DEBTS

Short-term debts consist of:

(a) PGI

In May 2018, PGI obtained a credit facilities amounting to ₱993 million from Rizal Commercial Banking Corporation with tenure of 180 days which will expire on February 28, 2019. The short-term loan is secured by a real estate mortgage of the Group's industrial lot with a carrying amount of ₱172.62 million and an industrial lot of the subsidiary (see Note 10).

In July 2018, PGI obtained another credit facilities amounting to ₱400 million from Robinsons Bank Corporation with tenure of 180 days. The short-term loan is unsecured.

In 2017, the PGI obtained a credit facilities amounting to ₱400 million with tenure of 90 days to one (1) year. The short-term loan is unsecured.

The average interest rate on local borrowings for the year ending December 31, 2018 and 2017 were 3.60% and 4.50%, respectively.

(b) OOC

In 2018 and 2017, OOC obtained various short-term debts from local banks with an aggregate amount of ₱100 million at an average interest rate of 4.50% to 6.00% per annum. The outstanding balance of the short term loan amounted to ₱100 million as at December 31, 2018 and 2017.

As at December 31, 2018 and 2017, the outstanding balance of short-term debt amounted to ₱905.08 million and ₱350.00 million, respectively. Total interest incurred charged to operations amounted to ₱30.68 million and ₱19.58 million for the years ended December 31, 2018 and 2017, respectively (see Note 24).

17. CAPITAL STOCK

Details of this account are as follows:

	2018	2017
Common stock: ₱1 par value Authorized: 2,098,000,000 common shares	**₱2,098,000,000**	₱2,098,000,000
Subscribed, issued and fully paid: 2,024,500,000 shares	**₱2,024,500,000**	₱2,024,500,000

The Parent Company was incorporated on September 7, 1989 with an authorized capital stock of ₱1,000,000,000 divided into 600,000,000 shares of Class A common stock with the par value of ₱1.00 per share and 400,000,000 shares of Class B common stock with the par value of ₱1.00 per share. On March 30, 1990, it obtained the SEC's approval of the registration of its capital stock for sale to the public and on October 29, 1991, 150,000,000 of its Class 'A' shares were listed at the Makati Stock Exchange at the issue/offer price of ₱1.00 per share and 50,000,000 of its Class 'B' shares were likewise so listed at the same issue/offer price of ₱1.00 per share.

On March 21, 1994, the SEC approved the amendment of its Articles of Incorporation to consolidated Class B common stock with Class A common stock as the Group's authorized capital stock. Thus, the Parent Company's capital stock stood at ₱1 billion divided into 1,000,000,000 common shares with the par value of ₱1.00 per share.

On July 31, 1996, the SEC approved the increase of the capital stock of the Parent Company from ₱1 billion divided into 1,000,000,000 shares with the par value of ₱1.00 per share to ₱2 billion divided into 2,000,000,000 shares with the par value of ₱1.00 per share.

On December 13, 2017, the SEC approved the increase of the authorized capital stock of the Parent Company from ₱2 billion divided into 2,000,000,000 shares with the par value of ₱1 per share to ₱2.098 billion divided into 2,098,000,000 shares with the par value of ₱1.00 per share.

The Parent Company's shares are listed in the PSE. As at December 31, 2018 and 2017, the Parent Company's stock price amounted to ₱5.75 and ₱6.80 per share, respectively.

As at December 31, 2018 and 2017, the Parent Company has three hundred sixty (360) and three hundred sixty-five (365) equity holders, respectively.

18. TREASURY STOCKS

In 2018, the BOD approved the common shares buy-back program under the following terms and conditions:

- The buy-back program shall be for a term of 24 months commencing on November 20, 2018 up to November 19, 2020.
- The Group shall be authorized to repurchase up to ₱500,000,000 worth of common shares.
- The buy-back program shall be executed in the open market through the trading facility of PSE.
- The buy-back program shall be implemented in an orderly manner and should not adversely affect the Group and its subsidiaries' prospective and existing projects.

As at December 31, 2018, the Group's has treasury stocks amounting to 1,145,600 shares with cost of ₱6.27 million.

19. DIVIDEND DECLARATION

Parent Company's dividend declaration

In a special meeting held on December 14, 2018, the BOD also declared cash dividends amounting to ₱242.71 million which is also equivalent to ₱0.12 per share to stockholders of record as of January 11, 2019 payable on February 4, 2019.

In a special meeting held on December 21, 2017, the BOD declared cash dividends amounting to ₱242.94 million equivalent to ₱0.12 per share to stockholders of record as at January 12, 2018 payable on February 5, 2018.

Likewise, in a special meeting held on June 7, 2018, the BOD declared cash dividends amounting to ₱242.94 million equivalent to ₱0.12 per share to stockholders of record as at June 25, 2018 payable on July 19, 2018.

Cash dividends declared and paid in 2018 and 2017 are summarized below:

Date declared	Date paid	Dividend per share	**2018**	2017
June 7, 2018	July 19, 2018	₱0.12	**₱242,940,000**	₱-
December 14, 2018	February 4, 2019	0.12	**242,709,696**	-
December 21, 2017	February 5, 2018	0.12	**-**	242,940,000
			₱485,649,696	₱242,940,000

PGI's dividend declaration

At the special meeting of the BOD held on May 4, 2018, the Board approved distribution of a cash dividend to stockholders on record as of May 11, 2018 amounting to ₱280 million out of unrestricted retained earnings for cash dividends as of December 31, 2017.

At the special meeting of the BOD held on October 23, 2018, the Board approved distribution of a cash dividend to stockholders on record as of November 6, 2018 amounting to ₱280 million out of unrestricted retained earnings for cash dividends as of December 31, 2017.

At the special meeting of the BOD held on May 24, 2017, the Board approved distribution of a cash dividend to stockholders on record as of April 21, 2017 amounting to ₱476 million out of unrestricted retained earnings for cash dividends as of December 31, 2016.

At the special meeting of the BOD held on September 12, 2017, the Board approved distribution of a cash dividend to stockholders on record as of September 14, 2017 amounting to ₱280 million out of unrestricted retained earnings for cash dividends as of December 31, 2016.

Cash dividend declared and paid in 2018 and 2017:

Declared	Date paid	Dividend per share	**2018**	2017
May 4, 2018	May 18, 2018	₱0.10	**₱280,000,000**	₱-
October 23, 2018	November 12, 2018	0.10	**280,000,000**	-
May 24, 2017	May 31, 2017	0.17	**-**	476,000,000
September 12, 2017	September 21, 2017	0.10	**-**	280,000,000
			₱560,000,000	₱756,000,000

As at December 31, 2018 and 2017, outstanding dividends payable amounted to ₱248.65 million and ₱242.94 million, respectively.

20. RELATED PARTY TRANSACTIONS

The Group, in the normal course of business, has transactions with related parties. The following are the specific relationship, amount of transaction, account balances, the terms and conditions and the nature of the consideration to be provided in settlement.

Relationship	Nature of Transaction	Amount of transaction		Outstanding receivable	
		2018	2017	**2018**	2017
Under common control					
Pryce Retirement Fund, Inc. (PRFI)	Advances	**₱-**	₱67,660,704	**₱67,660,704**	₱67,660,704
Stockholders	Advances	**-**	63,784,177	**63,784,177**	63,784,177
		₱-	₱131,444,881	**₱131,444,881**	₱131,444,881

The Group has unsecured and non-interest bearing advances to related parties with no definite repayment terms and no guarantee. These advances are generally settled in cash.

No provision for impairment was recognized for advances to related parties in 2018 and 2017.

21. REVENUES

The details of this account are as follows:

a) LPG and industrial gases

	2018	2017	2016
LPG, cylinders, stoves and accessories			
Content	**₱9,237,094,792**	₱8,392,827,737	₱5,669,699,432
Autogas	**-**	-	297,774,945
Cylinders	**309,613,947**	253,925,046	160,555,227
Stove and accessories	**32,583,234**	9,865,831	5,766,664
	9,579,291,973	8,656,618,614	6,133,796,268
Industrial gases			
Oxygen	**303,656,912**	281,454,148	282,182,066
Acetylene	**67,592,478**	70,019,774	73,530,605
Other gases	**50,999,948**	40,021,140	26,793,359
	422,249,338	391,495,062	382,506,030
	₱10,001,541,311	₱9,048,113,676	₱6,516,302,298

b) Real estate

Revenue from real estate amounted to ₱227 million, ₱139.41 million and ₱133.57 million for the years ended December 31, 2018, 2017 and 2016, respectively.

c) Hotel operations

Revenues from hotel operations amounted to ₱37.08 million for the year ended December 31, 2016. Subsequently, the Company discontinued its hotel operations. Thus, no revenues have been recognized for the years ended December 31, 2018 and 2017.

d) Pharmaceutical products

Revenue from sale of pharmaceutical products amounted to ₱44.37 million, ₱38.98 million and ₱35.21 million for the years ended December 31, 2018, 2017 and 2016, respectively.

22. COSTS OF SALES

a) Costs of sales on LPG and industrial gases for the year ended December 31 are as follows:

	2018	2017	2016
LPG, cylinders, stoves and accessories:			
Direct materials	**₱6,825,535,374**	₱6,180,389,254	₱4,236,352,198
Depreciation – notes 10 and 11	**193,578,990**	175,225,737	125,593,429
Freight and handling	**174,340,173**	170,390,924	166,419,123
Direct labor	**75,860,533**	93,810,494	32,553,144
Outside services	**69,670,586**	32,472,162	23,128,240
Repairs and maintenance	**43,069,114**	32,975,526	17,642,190
Rent and utilities	**28,041,821**	22,014,133	17,962,069
Insurance	**14,974,297**	4,371,262	5,374,143
Taxes and licenses	**12,674,095**	10,016,675	9,788,898
Fuel and oil	**5,278,036**	7,899,475	6,942,608
Others	**23,054,123**	22,275,068	17,298,907
	7,466,077,142	6,751,840,710	4,659,054,949
Industrial gases:			
Direct materials	**130,878,462**	107,147,316	139,874,275
Depreciation – notes 10 and 11	**35,085,123**	34,532,187	50,517,113
Direct labor	**17,897,106**	12,513,702	10,694,858
Repairs and maintenance	**5,399,393**	6,158,756	6,208,758
Taxes and licenses	**1,665,000**	1,629,913	1,723,545
Outside services	**6,160,461**	5,544,665	4,728,232
Rent and utilities	**7,738,770**	8,599,129	7,411,327
Freight and handling	**7,855,968**	4,699,653	10,281,743
Insurance	**1,108,545**	1,247,672	977,096
Others	**4,605,848**	12,945,332	8,476,002
	218,394,676	195,018,325	240,892,949
	₱7,684,471,818	₱6,946,859,035	₱4,899,947,898

b) Cost of real estate amounted to ₱62.90 million, ₱33.81 million and ₱45.37 million for the years ended December 31, 2018, 2017 and 2016, respectively. The cost of real estate recognized in the consolidated statements of comprehensive income on disposal is determined with reference to the specific costs incurred on the property sold.

c) Cost of sales on hotel operations for the year ended December 31, 2016 are as follows:

	2016
Salaries, wages and benefits	₱9,895,128
Supplies	9,192,255
Depreciation	6,449,673
Outside services	5,819,411
Utilities	4,232,543
Taxes and licenses	1,957,163
Repairs and maintenance	492,721
Insurance	33,247
Travel and transportation	30,991
Others	394,871
	₱38,498,003

Subsequent to 2016, the Group discontinued its hotel operations. Thus, no cost of sales have been recognized for the years ended December 31, 2018 and 2017.

d) Cost of sales on pharmaceutical products for the years ended December 31 are as follows:

	2018	2017	2016
Beginning inventory – note 7	**₱5,686,286**	₱2,743,015	₱4,868,563
Add: Purchases	**32,226,048**	30,023,976	22,381,176
Total good available for sale	**37,912,334**	32,766,991	27,249,739
Less: Ending inventory – note 7	**8,009,709**	5,686,286	2,743,015
	₱29,902,625	₱27,080,705	₱24,506,724

23. OPERATING EXPENSES

Operating expenses for the years ended December 31 are as follows:

	2018	2017	2016
Selling expenses:			
Salaries, wages and benefits	**₱126,567,196**	₱102,482,230	₱70,736,511
Outside services	**52,037,942**	31,787,961	33,294,903
Depreciation – notes 10 and 11	**51,223,139**	28,726,215	27,440,185
Repairs and maintenance	**32,027,170**	39,101,007	40,305,895
Fuel and oil	**30,141,070**	29,257,700	27,854,901
Freight and handling	**17,896,515**	47,636,290	50,800,170
Rent and utilities	**23,821,355**	15,782,471	20,368,227
Taxes and licenses	**11,425,707**	6,619,084	4,993,598
Commissions	**11,162,777**	16,725,769	16,590,701
Materials and supplies	**8,759,243**	14,888,170	16,392,144
Travel and transportation	**8,554,705**	13,264,938	13,629,170
Advertisements	**5,668,691**	4,236,855	4,870,264
Insurance	**4,612,781**	1,797,231	3,097,565
Representation and entertainment	**2,224,168**	5,277,123	3,289,669
Professional fees	**765,362**	777,479	922,568
Training and seminars	**592,535**	1,334,824	1,241,701
Dues and subscriptions	**334,111**	1,022,687	905,022
Others	**17,929,528**	13,973,306	11,886,350
	405,743,995	374,691,340	348,619,544

Forwarded

Continued

	2018	2017	2016
General and administrative expenses:			
Salaries, wages and benefits	**₱115,394,741**	₱108,418,417	₱76,116,791
Depreciation – notes 10 and 11	**89,030,393**	81,273,489	70,753,717
Repairs and maintenance	**59,439,084**	49,852,695	43,437,157
Retirement benefits expense	**25,321,034**	14,487,168	31,972,262
Travel and transportation	**20,102,346**	25,095,673	24,177,356
Materials and supplies	**17,441,061**	15,832,300	14,388,770
Rent and utilities	**15,044,009**	19,976,898	16,475,045
Taxes and licenses	**14,055,346**	8,947,629	24,402,939
Outside services	**13,801,903**	16,791,041	16,557,991
Fuel and oil	**12,140,415**	18,405,844	18,275,924
Professional fees	**9,789,678**	5,876,457	5,605,781
Dues and subscriptions	**7,675,765**	14,829,547	5,759,252
Representation and entertainment	**5,943,813**	10,923,319	7,444,111
Insurance	**5,644,554**	6,306,432	7,519,669
Meetings and conferences	**3,529,061**	5,166,589	4,854,851
Freight and handling	**3,402,667**	12,084,385	11,306,653
Donation	**2,046,837**	2,050,125	4,121,073
Advertisements	**1,583,247**	12,010,102	10,297,763
Training and seminars	**819,300**	2,389,326	547,208
Others	**50,197,234**	39,890,944	18,846,379
	472,402,488	470,608,380	412,860,692
	₱878,146,483	₱845,299,720	₱761,480,236

Others mainly include materials, supply and other indirect costs.

24. FINANCE COSTS

Finance costs for the years ended December 31 are as follows:

	2018	2017	2016
Importations	**₱3,494,998**	₱11,879,042	₱23,776,306
Debts			
Short-term – note 16	**30,683,847**	19,581,592	4,035,089
Installment contract payable	**-**	-	1,728,081
	₱34,178,845	₱31,460,634	₱29,539,476

25. OTHER INCOME (NET)

Other income (net) for the years ended December 31 are as follows:

	2018	2017	2016
Dividend income – note 5	**₱40,734,023**	₱8,610,501	₱4,935,965
Gain on sale of financial assets at FVPL – note 5	**32,102,718**	71,166,680	54,602,762
Sale of scrap and junked materials	**30,925,879**	1,951,936	2,255,779
Income from reversal of allowance for doubtful accounts – note 6	**30,589,742**	-	-
Gain on sale of property, plant and equipment – notes 10 and 11	**30,446,891**	2,636,014	-
Unrealized foreign exchange gain	**6,411,820**	1,459,337	354,955
Rental income	**4,059,031**	4,226,901	5,932,365
Interment fees	**1,925,433**	2,230,565	2,564,846
Interest income from banks – note 4	**1,334,974**	611,927	712,279
Interest income from real estate sales	**-**	431,579	262,855
Retirement benefits income – note 27	**-**	2,456,485	-
Gain on settlement of debts covered by rehabilitation plan	**-**	60,470,818	60,835,283
Others	**4,032,704**	2,151,152	2,258,451
	₱182,563,215	₱158,403,895	₱134,715,540

26. OTHER COMPREHENSIVE INCOME

This account as at December 31 consists of:

	2018	2017
Remeasurement gain on retirement benefits obligation		
At beginning of year	**₱20,848,377**	₱5,963,396
Remeasurement gain during the year	**-**	21,264,258
Effect of deferred income tax	**-**	(6,379,277)
At end of year	**20,848,377**	20,848,377
Revaluation reserves		
At beginning of year	**1,702,210,318**	1,785,487,906
Transfer of revaluation reserves deducted from operations through additional depreciation charges – note 11	**(118,967,983)**	(118,967,983)
Deferred income tax effect on revaluation reserves charged to operations through additional depreciation	**35,690,395**	35,690,395
At end of year	**1,618,932,730**	1,702,210,318
Total other comprehensive income	**₱1,639,781,107**	₱1,723,058,695

27. RETIREMENT BENEFITS OBLIGATION

The Group maintains a retirement benefits plan covering all employees on regular employment status. The plan is a funded noncontributory defined benefit plan that provides retirement benefits equal to the following: (a) 150% of monthly final salary for every year of service rendered for the first 20 years; (b) 175% of monthly final salary for every year of service rendered in excess of 20 years but not more than 25 years; and, (c) 200% of monthly final salary for every year of service rendered in excess of 25 years. The plans use the projected unit credit method of actuarial valuation in its retirement benefit cost computation.

Contributions and costs are determined in accordance with actuarial valuation made for the plan. The Group's latest actuarial valuation is as at December 31, 2017.

The amounts recognized in the consolidated statements of financial position arising from the Group's obligation in respect of its defined benefit plan as at December 31 are as follows:

	2018	2017
Present value of defined benefit obligation	**₱217,227,941**	₱195,369,927
Fair value of plan assets	**(99,980,548)**	(63,313,791)
Net retirement benefits obligation	**₱117,247,393**	₱132,056,136

Movements in the present value of defined benefit obligation for the years ended December 31 are as follows:

	2018	2017
Balance at beginning of year	**₱195,369,927**	₱225,851,172
Current service cost	**14,162,088**	16,508,464
Interest expense	**14,638,055**	11,446,626
Benefits paid	**(6,942,129)**	(27,538,232)
Actuarial gain – changes in experience assumptions	**-**	(7,358,704)
Settlement gain	**-**	(14,453,208)
Actuarial gain – changes in financial assumptions	**-**	(9,086,191)
	21,858,014	(30,481,245)
Balance at end of year	**₱217,227,941**	₱195,369,927

Movements in the fair value of plan assets for the years ended December 31 are as follow:

	2018	2017
Balance at beginning of year	**₱63,313,791**	₱-
Contributions to the fund	**40,129,777**	71,567,681
Interest income	**3,479,109**	1,471,199
Return on plan assets, excluding amounts included in net interest cost	**-**	4,819,364
	43,608,886	77,858,244
Benefits paid	**(6,942,129)**	(14,544,453)
Balance at end of year	**₱99,980,548**	₱63,313,791

The retirement benefits expense recognized in the consolidated statements of comprehensive income for the years ended December 31 are as follows:

	2018	2017
Current service cost	**₱14,162,088**	₱16,508,464
Net interest costs		
Interest expense	**14,638,055**	11,446,626
Interest income	**(3,479,109)**	(1,471,199)
	25,321,034	26,483,891
Settlement gain	**-**	(14,453,208)
Retirement benefits expense - profit or loss	**25,321,034**	12,030,683
Remeasurement on net retirement benefits liability:		
Return on plan assets, excluding amounts included in net interest cost	**-**	(4,819,364)
Actuarial gain arising from change in financial assumptions	**-**	(9,086,191)
Actuarial gain arising from change in experience assumptions	**-**	(7,358,704)
Effect of deferred income tax	**-**	6,379,278
Retirement benefits income - other comprehensive income	**-**	(14,884,981)
	₱25,321,034	(₱2,854,298)

The retirement benefits income is included in Provision for retirement benefits and Retirement benefits income accounts under general and administrative expenses and other income (net) in the consolidated statements of comprehensive income.

The fair value of plan assets consists of cash and cash equivalents as at December 31, 2018 and 2017.

The actual return on plan assets for the years ended December 31 is as follows:

	2018	2017
Interest income	**₱3,479,109**	**₱1,471,199**
Actual gain on plan assets, excluding amounts included in net interest cost	**-**	**4,819,364**
	₱3,479,109	**₱6,290,563**

For the determination of the retirement benefits obligation, the following actuarial assumptions were used:

	2018	2017
Discount rate	**5.70%**	5.70%
Expected salary increase rate	**7%**	7%

The discount rate, also called the zero yield curve, as at December 31, 2018 and 2017 was derived by applying the procedure of bootstrapping on the bonds included in the PHP BVAL rates and the PDST-R2 Index, projected as of the valuation date. Assumptions regarding mortality experience are based on 100% of the adjusted 1985 Unisex Annuity Table and 100% of the adjusted 1952 Disability Table reflecting experience improvement and Philippine experience.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

	Impact on defined benefit obligation		
	Change in assumptions	**Increase in assumptions**	**Decrease in assumptions**
Discount rate	**0.50%**	**(976,849)**	**976,849**
Salary increase rate	**0.50%**	**82,544**	**(82,544)**

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized within the Group's consolidated statements of financial position.

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

Through its defined benefit retirement plan, the Group is exposed to a number of risks, the most significant of which is as follow:

- Changes in bond yield – A decrease in government bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

The weighted average duration of the defined benefit obligation for the Parent Company is 8.40 in 2018 and 2017. The weighted average duration of the defined benefit obligation for PGI is 6.70 years in 2018 and 2017.

The expected maturity analysis of the undiscounted retirement obligation as at December 31, 2018 and 2017 follows:

	After 1 year	Between 2-3 years	Between 4-5 years	Over 5 years	**Total**
Retirement benefits obligation	₱71,235,675	₱15,334,736	₱22,261,652	₱100,472,200	**₱209,304,263**

28. SUBSEQUENT EVENT

At the special meeting of the PGI's BOD held on April 5, 2019, the PGI's BOD approved distribution of a cash dividend to PGI's stockholders on record as of April 19, 2019 amounting to ₱336 million out of unrestricted retained earnings for cash dividends as of December 31, 2018.

29. INCOME TAX

The components of income tax expense for the years ended December 31 are as follows:

	2018	2017	2016
Current tax expense	**₱313,005,665**	₱266,746,774	₱202,928,993
Deferred tax expense (benefit) on the origination and reversal of temporary differences	**2,868,373**	19,030,552	(51,265,022)
	₱315,874,038	₱285,777,326	₱151,663,971

The reconciliation of the income tax expense computed at the statutory tax rate to the income tax expense as reported in the consolidated statements of comprehensive income is as follows:

	2018	2017	2016
Income before tax	**₱1,718,847,737**	₱1,537,723,657	₱1,117,755,277
Income tax expense at 30%	**515,654,321**	461,317,097	335,326,583
Add (deduct) tax effect of the following:			
Nontaxable income	**(25,847,787)**	(27,091,363)	(36,320,699)
Gain on sale of financial assets at FVPL	**(2,008,214)**	(2,234,997)	(29,810)
Unrealized fair value loss (gain) on financial assets at FVPL	**9,256,118**	(6,001,464)	236,532
Amortization of deferred tax liability on interest expense capitalized to real estate projects	**-**	(3,059,995)	(3,059,995)
Income on BOI-registered activities enjoying ITH	**(230,450,337)**	(175,835,967)	(101,178,623)
Difference in income tax method used	**-**	-	243,550
Nondeductible expenses	**17,187,993**	2,993,620	7,325,457
Depreciation on appraisal increase	**35,690,395**	35,690,395	2,512,029
Reversal and change in temporary difference	**-**	-	(26,550,588)
Change on unrecognized deferred tax assets	**(3,608,451)**	-	(26,840,465)
Reported income tax expense	**₱315,874,038**	₱285,777,326	₱151,663,971

The components of deferred tax assets and liabilities accounts in the consolidated statements of financial position are as follows:

	2018	2017
Deferred tax assets:		
Retirement benefits obligation	**₱35,174,217**	₱39,616,841
Allowance for ECL	**-**	9,176,923
	35,174,217	48,793,764
Unrecognized deferred tax assets	**-**	(9,176,923)
	₱35,174,217	₱39,616,841

	2018	2017
Deferred tax liabilities:		
Revaluation increment in property, plant and equipment	**₱689,340,040**	₱729,518,710
Interest expense capitalized to property, plant and equipment and real estate projects	**18,359,969**	21,419,960
Unrealized foreign exchange gain	**6,411,820**	437,801
	₱714,111,829	₱751,376,471

The components of income tax expense recognized in other comprehensive income are as follows:

	2018	2017
Transfer of revaluation reserves charged to operations through additional depreciation	**₱35,690,395**	₱35,690,395
Remeasurements on retirement benefits obligation	**-**	(6,379,277)
	₱35,690,395	₱29,311,118

The Group availed of the itemized deduction for purpose of income tax calculation in 2018 and 2017.

30. EARNINGS PER SHARE

Earnings per share are computed based on the weighted average number of common shares outstanding during the year.

	2018	2017	2016
Net income attributable to the owners of the Parent Company	**₱1,288,081,156**	₱1,148,682,457	₱888,062,210
Weighted average number of common shares	**2,024,404,534**	2,024,500,000	2,000,000,000
	₱0.636	₱0.567	₱0.444

Weighted average number of common shares as at December 31, 2017 and 2016 are the same as the Parent Company's outstanding number of shares which are 2,024,500,000 shares and 2,000,000,000 shares, respectively. Weighted average number of common shares as at December 31, 2018 is computed as follows:

	Outstanding shares	Portion of year outstanding	Weighted average number of common shares
As at November 29, 2018	2,024,500,000	11/12	1,855,791,667
As at December 31, 2018	2,023,354,400	1/12	168,612,867
			2,024,404,534

31. ITH REGISTRATION WITH BOI

PGI is registered with the BOI and entitled to ITH exemptions provided under RA of 8479, otherwise known as the Downstream Oil Deregulation Act of 1998.

Registered activity	Industry Participant with New Investment in Storage, Marketing and distribution of Petroleum Products- San Fabian Pangasinan
Registered capacity	Three (3) tanks 5,700 MT fuel gross capacity or 2,100 MT gross capacity per tank
ITH entitlement period	01 January 2014 to 31 December 2018 (5 years)

Registered activity	Bulk Marketing of Petroleum (LPG) Products (New Investment Through the Construction of additional 2,000 MT Storage Capacity of the Albuera, Leyte LPG Terminal)
Registered capacity	2,000 MT
ITH entitlement period	01 February 2017 to 31 January 2022 (5 years)

Registered activity	Bulk Marketing of Petroleum (LPG) Products (New Investment Through the Construction of additional 1,200 MT Storage Capacity of Astorga, Davao del Sur LPG terminal)
Registered capacity	1,200 MT
ITH entitlement period	01 January 2018 to 31 December 2022 (5 years)

Registered activity	Bulk Marketing of Petroleum (LPG) Products (Sogod, Cebu LPG Terminal with additional 1,200 MT LPG Storage Tank Capacity)
Registered capacity	Additional 1,200 MT LPG Storage tank capacity
ITH entitlement period	01 June 2018 to 31 May 2023 (5 years)

Registered activity	Bulk Marketing of Petroleum (LPG) Products (Balingasag, Misamis Oriental LPG Terminal with additional 2,000 MT LPG Storage Tank Capacity)
Registered capacity	Additional 2,000 MT LPG Storage tank capacity
ITH entitlement period	01 June 2018 to 31 May 2023 (5 years)

As at end of the reporting period, five (5) of the LPG terminals and refilling plant operation is enjoying ITH. While income on other LPG terminal and refilling plant operations, upon which ITH has expired, is subject to MCIT of 2% based on gross profit when it is greater than the RCIT of 30% or when the Group has zero or negative taxable income. The excess of MCIT over RCIT shall be carried forward and credited against RCIT for the three immediately succeeding taxable years. The current income tax expense in 2018 and 2017 as shown in the consolidated statements of comprehensive income both represent the RCIT.

As at December 31, 2018 and 2017, the Group is in compliance with the terms and conditions set forth by BOI.

32. FAIR VALUE GAIN ON TRANSFERRED REAL ESTATE PROPERTIES THRU DACION EN PAGO COVERED BY THE REHABILITATION PLAN

In 2004, the Parent Company transferred real estate properties to PGI in exchange for PGI's shares of stock as capital equity contribution. The application for the increase in capital stock to ₱2.10 billion by PGI was approved by the SEC on June 30, 2004. Furthermore, the BIR issued a certification on November 5, 2004 and December 29, 2004 certifying the transferred real estate properties in exchange for shares of stock is a tax free exchange.

PGI recognized the transferred real estate properties from Parent Company based on the par value of its capital stock issued to the Parent Company, which is equivalent to the fair values of the real estate properties transferred based on Court Order issued by the Regional Trial Court.

The Parent Company recognized the real estate properties transferred to PGI as equity contribution at cost (carrying amount) instead of fair value of the asset given up as required under PFRS 3, *Business Combinations*. This was a case of an extremely rare circumstance in which management concludes that compliance with a requirement in PFRS would be so misleading that it would conflict with the objectives of consolidated financial statements set out in the Framework. Because of this circumstance, the management of the Parent Company reduced the perceived misleading aspects of compliance by complying with the following disclosures.

The Parent Company's management decided to use the carrying value (cost of the real estate properties transferred to PGI) mainly due to the following reasons:

i) Both the Parent Company and subsidiary are under rehabilitation and the basis for the measurement of the real estate properties transferred was based on Court Order by the Regional Trial Court handling the rehabilitation and not on the basis of the parties involved; and

ii) At the time of transfer, PGI's net asset carrying amounts was below the par value per share of its shares of stock due to its continued losses which resulted to a deficit amounting to ₱989.84 million as at December 31, 2004. The fair value recognition on the transfer of Parent Company's real estate properties to PGI in exchange of PGI's shares of stock in the Parent Company's books and records would result to:

PGI real estate properties transferred to creditors by way of dacion en pago covered by the rehabilitation plan

In 2005 and 2004, PGI transferred significant portion of the above real estate properties to its creditors by way of dacion en pago based on fair values as determined in the Court Order issued by the Regional Trial Court on the rehabilitation plan of PGI. The difference between the fair value and cost (as reported in the books and records by the Parent Company) of these transferred properties amounted to ₱129 million in 2005 and ₱902 million in 2004 or an aggregate amount of ₱1.03 billion. Subsequent to 2005, there was no real estate properties of PGI transferred to creditors by way of dacion en pago.

The ₱1.03 billion as at December 31, 2018 and 2017 represents the net difference between the fair value and the related cost the Parent Company's real estate properties transferred to PGI creditors in settlement of its debts covered by the rehabilitation plan. This amount was arrived at in the elimination process of intercompany account balances and such difference was accounted for as Fair value gain on real estate properties account and presented under equity section in the consolidated statements of financial position.

Effect of Parent Company's recognition of real estate properties transferred to PGI at cost

Had the Parent Company applied the fair value method of accounting on the recognition of its transferred real estate properties to PGI, the fair value gain on real estate properties should have been recognized as income and would increase the consolidated retained earnings as at December 31, 2018 and 2017 by ₱1.03 billion.

33. OPERATING BUSINESS SEGMENTS

The Group's reportable segments consist of: (1) real estate; (2) LPG and industrial gases; and (3) pharmaceutical products, which the Group operates and manages as strategic business units and organize by products and services.

Intersegment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

Segment operating assets consist principally of operating cash, receivables and inventories, net of any allowance for impairment in value, while segment liabilities include all operating liabilities and consist principally of trade payables and other payables.

The Group's segment information is as follows:

	Real estate			LPG and Industrial gases			Pharmaceutical products		
	2018	2017	2016	**2018**	2017	2016	**2018**	2017	2016
	(amounts in millions)								
Revenue from external customers	**₱227**	₱139	₱171	**₱9,579**	₱9,048	₱ 6,516	**₱44**	₱38	₱35
Results									
Income before tax	**618**	815	95	**1,611**	1,409	1,022	**1.2**	1.1	0.8
Income tax expense	**(32)**	(29)	(0.4)	**(284)**	(257)	(151)	**(0.4)**	(0.3)	(0.2)
Net income for the year	**587**	786	95	**1,327**	1,152	871	**(0.8)**	0.8	0.6
Other information:									
Segment operating assets	**₱1,488**	₱1,552	₱1,512	**₱9,030**	₱7,343	₱6,837	**₱21**	₱19	₱19
Segment liabilities	**608**	449	547	**2,599**	1,711	1,641	**11**	10	10
Capital expenditures	**4**	0.1	2	**1,667**	589	623	**-**	-	-
Depreciation	**31**	26	24	**368**	293	257	**0.2**	0.2	0.3

34. OPERATING LEASE AGREEMENTS

The Group has entered in various operating lease agreements for its Visayas and Mindanao sales offices with various local companies for a period of one (1) year renewable thereafter upon mutual agreement of both parties.

Total rent incurred for the years ended December 31 is allocated as follows:

	2018	2017
Cost of sales – note 22		
LPG, cylinders, stoves and accessories	**₱23,392,425**	₱22,014,133
Industrial gases	**3,749,638**	8,599,129
Operating expenses – note 23		
Selling expenses	**11,784,924**	15,782,471
General and administrative	**15,044,009**	19,976,898
	₱53,970,996	₱66,372,631

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and financing activities. The Group's risk management is in the BOD, and focuses on actively securing the Group's short-term to medium-term cash flows by transacting only with reputable third parties.

The Group's principal financial instruments are composed of cash, trade and other receivables (excluding advances to contractors and suppliers), financial assets at FVPL, trade and other payables (excluding deposit for internment services and due to government agencies), dividends payable and short-term debts. The main purpose of these financial instruments is to raise financing for the Group's operations. The Group has other financial instruments such as advances to related parties.

The Group is exposed to market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include debt and equity investments.

The Group’s activities expose it primarily to the financial risks of changes of changes in foreign currency exchange and equity price.

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in US dollars (USD). Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group’s functional currency. Significant fluctuation in the exchange rates could significantly affect the Group’s financial position.

The Group monitors the movement of foreign exchange rates to avoid significant effect on its operations.

The foreign currency denominated monetary assets and liabilities and their translated functional currency equivalents are as follows:

	2018		2017	
	USD	**Philippine Peso (PHP)**	USD	PHP
Asset				
Cash	**11,495**	**606,062**	21,831	1,089,869
Liability				
Trade payables	**8,687,491**	**458,039,276**	4,461,215	222,717,236
Net exposure	**(8,675,996)**	**(457,433,214)**	(4,439,384)	(221,627,367)

The foreign currency exchange rates used for USD to PHP were ₱52.72 in 2018 and ₱49.92 in 2017. As a result of translating this foreign currency denominated balances, the Group reported a net unrealized foreign currency exchange gain of ₱6.40 million in 2018 and ₱1.50 million in 2017, and is presented as part of Other income (net) account in the consolidated statements of comprehensive income (see Note 25).

Though foreign exchange gains and losses are recognized for such transactions and for translation of monetary assets and liabilities, the Group is periodically monitoring the movements of foreign exchange rates so as not to significantly affect its operations.

Foreign currency risk sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in USD to PHP exchange rate, with all other variables held constant, of the Group's cash and trade payables before income tax as at December 31, 2018 and 2017 (due to the changes in the fair value of monetary assets and liabilities).

	Appreciation (depreciation) of PHP	**Effect in income before tax**	**Effect in equity after tax**
2018	**1.50**	**(₱13,013,994)**	**(₱9,109,796)**
	1.00	**(8,675,996)**	**(6,073,197)**
	(1.50)	**13,013,994**	**9,109,796**
	(1.00)	**8,675,996**	**6,073,197**
2017	1.50	(₱6,659,076)	(₱4,661,353)
	1.00	(4,439,384)	(3,107,569)
	(1.50)	6,659,076	4,661,353
	(1.00)	4,439,384	3,107,569

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's financial instruments with a floating interest rate. Floating rate financial instruments are subject to cash flow interest rate risk. Re-pricing of floating rate financial instruments is done every quarter.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's borrowings (see Note 16). The impact on the Company's equity is immaterial.

	Increase (Decrease) in Basis Points	**Effect in Income Before Tax**	**Effect in Equity After Tax**
2018	**1.00**	**(₱90,507,805)**	**(₱63,355,464)**
	0.50	**(45,253,903)**	**(31,677,732)**
	(1.00)	**90,507,805**	**63,355,464**
	(0.50)	**45,253,903**	**31,677,732**
2017	1.00	(₱35,000,000)	(₱24,500,000)
	0.50	(17,500,000)	(12,250,000)
	(1.00)	35,000,000	24,500,000
	(0.50)	17,500,000	12,250,000

The following table sets out the carrying amounts, by maturity, of the Group's financial instruments as at December 31, 2018 and 2017 that are exposed to interest rate risks:

	Interest rates	Within 1 Year	Total
2018			
Variable rate			
Borrowings	3.60% to 4.50%	₱905,078,052	₱905,078,052
2017			
Variable rate			
Borrowings	3.60% to 4.50%	₱350,000,000	₱350,000,000

Equity price risk

Equity price risk is the risk that the fair value of equity investment decreases as the result of changes in the value of individual stocks. The Group's exposure to equity price risk arises from investments held by the Group and classified in the consolidated statements of financial position as at FVPL.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 5% higher/lower, income before income tax for the years ended December 31, 2018 and 2017 would increase/decrease by ₱40.27 million and ₱36.51 million, respectively, as a result of the changes in fair value of financial assets at FVPL. Equity as at December 31, 2018 and 2017 would increase/decrease by ₱28.19 million and ₱25.56 million

Credit risk

Credit risk refers to the risk that counterparties will default on its contractual obligations resulting in financial loss to the Group.

Credit risk management

In order to minimize credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Before accepting any new customer, a dedicated team responsible for the determination of credit limits uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade receivables on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

Credit risk exposure

The Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements arises from the carrying amount financial assets recognized in the Group's consolidated statements of financial position.

In order to minimize credit risk, the Group has developed and maintained internal credit risk gradings to categorize exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

The ECL arising from Group's receivables from sale of real estate is determined using the simplified approach and calculates ECL based on lifetime ECL. The Group does not track changes in credit risk, but instead recognizes loss allowance based on lifetime ECL at each reporting date.

For receivables other than those from sale of real estate, the Group's current credit risk grading framework is as follows:

Category	Description	Basis for recognizing ECL	Stage
Performing	The counterparty has a low risk of default and does not have any past due amounts	12-month ECL	1
Doubtful	Amount is 120 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired	2
In default	Amount is 120 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	3
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	3

Generally, the maximum credit risk exposure of financial assets is the carrying amount of financial assets as shown in the face of consolidated statements of financial position.

The table below shows the Group's maximum exposure to credit risk and the credit quality of the Group's financial assets:

		December 31, 2018			
		Basis of Recognizing ECL	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Cash in banks	(a)		**₱770,081,532**	**₱-**	**₱770,081,532**
Trade receivables	(b)	Lifetime ECL	**194,548,686**	**-**	**194,548,686**
Other receivables*	(b)	Lifetime ECL	**141,200,545**	**-**	**141,200,545**
Advances to related parties	(a)		**131,444,881**	**-**	**131,444,881**
			₱1,237,275,644	**₱-**	**₱1,237,275,644**

		December 31, 2017			
		Basis of Recognizing ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash in banks	(a)		₱734,677,336	₱-	₱734,677,336
Trade receivables	(b)	Lifetime ECL	218,874,047	(25,977,191)	192,896,856
Other receivables*	(b)	Lifetime ECL	126,207,835	(4,612,551)	121,595,284
Advances to related parties	(a)		131,444,881	-	131,444,881
			₱1,211,204,099	(₱30,589,742)	₱1,180,614,357

**Other receivables exclude advances to contractors and suppliers amounting to ₱22.35 million and ₱16.97 million for the years ended December 31, 2018 and 2017, respectively.*

(a) Cash in banks and advances to related parties are assessed to have low credit risk at each reporting period. Cash balances are held by reputable banking institutions. Advances to related parties may be offset against subsequent advances from related parties. The identified impairment loss on these financial assets is immaterial, hence no ECL is recognized.

(b) For trade and other receivables, the Group has applied the simplified approach to measure the loss allowance at lifetime ECL. The Group determines the expected credit ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Trade receivables arising from sale of real estate are covered by Section 4 of R.A. 6552, commonly known as the *Maceda Law*, where if the buyer fails to pay installments due after grace period of sixty (60) days, the seller may cancel the contract after thirty days (30) days from receipt by buyer of notice of cancellation or demand for rescission of contract. Furthermore, these are covered by mortgage on the real estate which will be foreclosed upon default.

Trade and other receivables

The Group applies the simplified approach to measuring ECL which uses a lifetime ECL for all trade and other receivables.

To measure the ECL, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical credit losses experienced before December 31, 2018 and 2017. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, the real property which may be repossessed upon default is no longer saleable, and the debtor is financially incapacitated.

The loss allowance for trade and other receivables as at December 31 is determined as follows:

December 31, 2018

	Neither past due nor impaired	**Past due but not impaired**	**Impaired**	**Total**
ECL Rate	**0%**	**0%**	**100%**	
Gross carrying amount:				
Trade and other receivables*	**₱229,051,684**	**₱106,697,547**	**₱-**	**₱335,749,231**
	₱-	**₱-**	**₱-**	**₱-**

**Trade and other receivables excludes advances to contractors and suppliers amounting to ₱22.35 million.*

December 31, 2017

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
ECL Rate	0%	0%	100%	
Gross carrying amount:				
Trade and other receivables	₱170,128,999	₱157,755,798	₱30,589,742	₱358,474,539
	₱-	₱-	₱30,589,742	₱30,589,742

**Trade and other receivables exclude advances to contractors and suppliers amounting to ₱16.97 million as at December 31, 2017.*

The Group provided no allowance for past due but not impaired trade and other receivables. Trade receivables arising from sale of real estate are protected by the mortgaged real properties. In the case of receivables from memorial lot owners, the memorial lot owners rely on the service provided by the Group for the maintenance of its memorial lots. Memorial lot owners will be compelled to pay if the Group stops providing the maintenance services. Advances to officers and employees may be deducted from the salaries of the officers and employees. Other receivables have low credit risk being short-term in nature. Thus, even though the receivables are past due, these are fully recoverable.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet operating capital requirements. The Group aims to maintain flexibility in funding through an efficient collection of its receivables and from the continuous financial assistance extended by its related parties in the form of loans and advances.

Presented in this table is the maturity profile of Group's financial liabilities based on contractual undiscounted payments:

December 31, 2018

	Within 1 year	**Later than 1 year but not more than 5 years**	**Total**
Trade and other payables*	**₱899,091,400**	**₱-**	**₱899,091,400**
Short-term debts	**905,078,052**	**-**	**905,078,052**
Dividends payable	**248,653,686**	**-**	**248,653,686**
Total	**₱2,052,823,138**	**₱-**	**₱2,052,823,138**

**Trade and other payables exclude deposit for park internment services amounting to ₱99.64 million and amount payable to government agencies amounting to ₱22.40 million as at December 31, 2018.*

December 31, 2017

	Within 1 year	Later than 1 year but not more than 5 years	Total
Trade and other payables*	₱588,643,066	₱-	₱588,643,066
Short-term debts	350,000,000	-	350,000,000
Dividends payable	242,940,000	-	242,940,000
Total	₱1,181,583,066	₱-	₱1,181,583,066

**Trade and other payables exclude deposit for park internment services amounting to ₱98.82 million and amount payable to government agencies amounting to ₱42.37 million as at December 31, 2017.*

36. CAPITAL RISK OBJECTIVE AND MANAGEMENT

The primary objective of the Group's management is to ensure that it maintains a strong credit rating 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 the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The capital that the Group manages includes all components of its equity as shown in the consolidated statements of financial position.

The Group monitors its capital gearing by measuring the ratio of interest-bearing debt to total capital and net interest-bearing debt to total capital. Interest-bearing debt includes all short term and long term debt while net interest-bearing debt includes all short-term and long-term debt net of cash and financial assets at FVPL.

The equity ratios as at December 31 are as follows:

	2018	2017
Total equity (a)	**₱8,097,198,244**	₱7,207,382,436
Total assets (b)	**11,329,220,415**	9,645,206,001
Equity ratio (a/b)	**71%**	75%

The Group is not subject to any externally imposed capital requirements.

37. FAIR VALUE INFORMATION

Assets measured at fair value

The following table gives information about how the fair values of the Group's assets, which are measured at fair value at the end of each reporting period, are determined in particular, the valuation technique(s) and inputs used.

	Fair value as at December 31		Fair value	
	2018	2017	hierarchy	Valuation technique
Financial assets at FVPL	**₱805,336,648**	₱730,280,402	Level 1	Quoted prices in an active market

Fair value of financial assets at FVPL is measured at quoted prices in an active market.

Assets and liabilities not measured at fair value

The following financial assets and liabilities are not measured at fair value on recurring basis but the fair value disclosure is required:

	2018		2017			
	Fair Value	**Carrying value**	Fair value	Carrying value	Fair value hierarchy	Valuation technique
Financial asset						
Advances to related parties	**₱107,370,410**	**₱131,444,881**	₱ 111,059,988	₱131,444,881	Level 3	(b)
Non-financial asset						
Investment Properties	**115,497,888**	**115,497,888**	115,497,888	115,497,888	Level 2	(a)
	₱222,868,298	**₱246,942,769**	₱226,557,876	₱246,942,769		

(a) The fair value is determined by applying the market comparison approach. The valuation model is based on the market price of comparable real estate properties in the area in which the Group's investment properties are located.

(b) Advances to related parties

Significant unobservable input	Relationship of unobservable inputs to fair value
Discounted cash flows of zero-rated liabilities from related parties determined by reference to prevailing market lending rate of 6.976% in 2018 and 5.778% in 2017	The higher the discount rate, the lower the fair value.

The carrying amounts of cash, trade and other receivables, trade and other payables and dividends payable approximate their fair values due to the short-term maturities of these financial instruments.

*   *   *

**Diaz Murillo Dalupan
and Company**
Certified Public Accountants

**Statement Required by Rule 68, Part I, Section 4,
Securities Regulation Code (SRC),
As Amended on October 20, 2011**

To the Board of Directors and Stockholders of
PRYCE CORPORATION AND SUBSIDIARIES
17th Floor Pryce Center, 1179 Don Chino Roces Avenue
cor. Bagtikan Street, Makati City

We have audited the accompanying financial statements of **Pryce Corporation and Subsidiaries** as at and for the year ended December 31, 2018, on which we have rendered the attached report dated April 17, 2019 The supplementary information shown in **Annexes "A" to "D"** and **Schedules "A" to "H"**, as additional component required by Rule 68, Part I, Section 4 of the Securities Regulation Code, is presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and has been subjected to auditing procedures applied in the audits of basic financial statements. In our opinion, the information has been prepared in accordance with Rule 68 of the Securities Regulation Code.

Diaz Murillo Dalupan and Company
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until August 11, 2020
SEC Accreditation No. 0192-FR-3, Group A, effective until April 2, 2022
BIR Accreditation No. 08-001911-000-2019, effective until March 27, 2022
By:

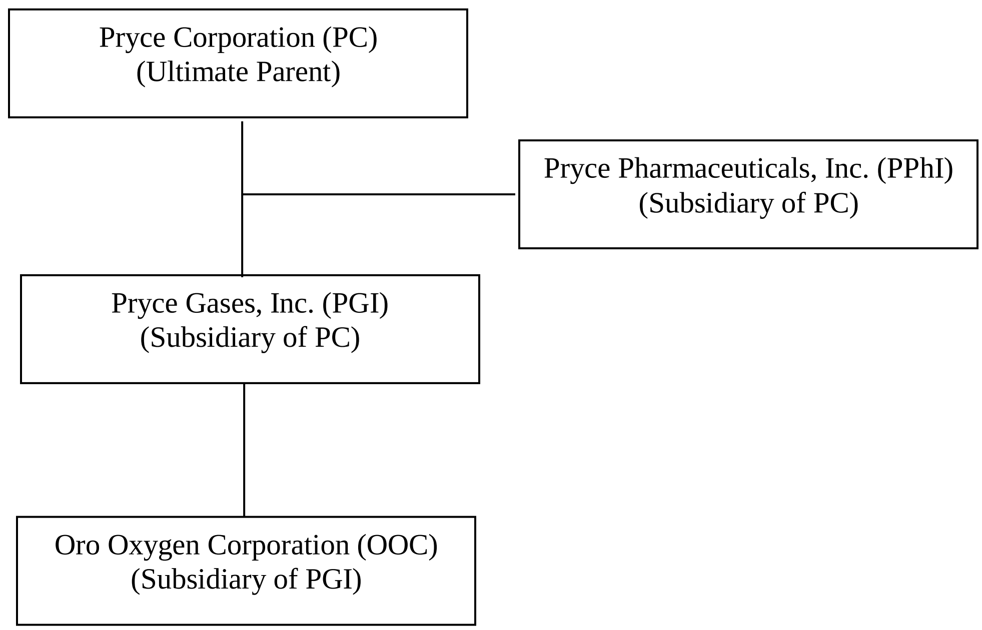
Elirie S. Arañas
Partner
CPA Certificate No. 0101773
SEC Accreditation No. 1679-A, Group A, effective until May 9, 2021
Tax Identification No. 207-051-549
PTR No.7344259, January 8, 2019, Makati City
BIR Accreditation No. 08-001911-011-2019, effective until March 27, 2022

April 17, 2019

PRYCE CORPORATION AND SUBSIDIARIES
ANNEX "A" - FINANCIAL SOUNDNESS
DECEMBER 31, 2018

	2018	2017
Profitability ratios:		
Return on assets	**16.704%**	17.179%
Return on equity	**24.146%**	24.902%
Net profit margin	**16.732%**	16.666%
Solvency and liquidity ratios:		
Current ratio	**1.656**	2.297
Debt to equity ratio	**0.423**	0.356
Financial leverage ratio:		
Asset to equity ratio	**1.477**	1.410
Debt to asset ratio	**0.286**	0.253
Interest rate coverage ratio	**51.290**	49.878

PRYCE CORPORATION AND SUBSIDIARIES
ANNEX "B" – MAP OF CONGLOMERATE OR GROUP OF COMPANIES WITHIN WHICH THE COMPANY BELONGS
DECEMBER 31, 2018



PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE A – FINANCIAL ASSETS
DECEMBER 31, 2018

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end of reporting period	Income received and accrued
San Miguel Corp. Series 2-C Preference	4,318,400	₱328,198,400	₱328,198,400	₱ -
Ginebra San Miguel	5,146,945	137,680,779	137,680,779	-
Global-Estate Resorts, Inc.	92,463,000	104,483,190	104,483,190	-
First Philippine Holdings	1,381,645	89,461,513	89,461,513	-
San Miguel Corp. Series 2-B Preference	490,170	36,762,750	36,762,750	-
Top Frontier	140,637	35,131,123	35,131,123	-
San Miguel Corp. Sub Series 2-E Preference	271,250	19,801,250	19,801,250	-
San Miguel Corp. Sub Series 2-F Preference	212,630	15,947,250	15,947,250	-
San Miguel Corp. Sub Series 2-I Preference	180,030	13,232,205	13,232,205	-
San Miguel Corp. Sub Series 2-G Preference	170,000	12,733,000	12,733,000	-
San Miguel Corp. Sub Series 2-D Preference	124,650	9,342,518	9,342,518	-
DM Wenceslao	318,900	2,487,420	2,487,420	-
Century Properties Group, Inc	175,000	75,250	75,250	-
Total	105,393,257	₱805,336,648	₱805,336,648	₱-

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE B - ACCOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS AND EMPLOYEES
RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
FOR THE PERIOD ENDED DECEMBER 31, 2018

Name of Debtor		Debtor designation	Balance at beginning of period	Additions	Amount Collected	Current	Non current	Balance at end of the period
1 .	Deguit, Ethelbert	Officer	₱1,877,000	₱1,091,749	₱1,296,869	₱1,239,398	₱432,482	₱1,671,880
2 .	Eco, Servillano Jr.	Officer	688,472	604,614	626,187	252,640	414,259	666,899
3	Avila, Manuel	Staff	-	737279	90,000	647,279	-	647,279
4	Espino, Ethel	Officer	-	815,916	191,047	191,047	433,822	624,869
5 .	Lagunay, Jose Jr.	Staff	106,437	561,141	157,336	510,241	-	510,241
6 .	Paasa, Christy Ann	Officer	569,931	498,085	572,248	55,618	440,150	495,768
7 .	Veloso, Rolando	Officer	565,601	85,828	172,165	157,063	322,201	479,265
8 .	Dy, Carlitos	Officer	423,793	404,172	385,548	442,417	-	442,417
9 .	Ascaño, Mark Alf	Officer	510,544	8,808	112,373	109,231	297,748	406,979
10 .	Sumillano, Jeremy Rie	Officer	-	1,727,593	1,324,506	225,353	177,733	403,087
11	Pingli, Allian	Staff	-	1,204,691	822,583	382,109	-	382,109
12 .	Villegas, Franz Jonas	Officer	521,168	218,619	364,363	129,458	245,966	375,425
13 .	Escaño, Rafael	Officer	314,651	403,111	461,104	256,657	-	256,657
14 .	Escaño, Jose Ma.	Officer	-	542,934	293,838	249,096	-	249,096
15 .	Simba, Francisco	Staff	-	8,365,093	8,126,544	238,549	-	238,549
16 .	Competente, Roque	Officer	425,564	160,430	366,583	128,792	90,619	219,411
17	Del Rosario, Daisy	Officer	-	244,119	48,257	195,862	-	195,862
18	Bonilla, Gidion	Officer	-	218,270	35,705	182,565	-	182,565
19 .	Pongos, Zachary	Staff	-	288,564	109,436	179,128	-	179,128
20 .	Defeles, Maricel	Staff	-	627,000	457,000	170,000	-	170,000
21 .	Lacson,Zaide	Staff	166,180	-	-	166,180	-	166,180
22	Limba, Elmer	Staff	-	1699796	1,536,617	163,179	-	163,179
23 .	Isidro, Joy	Officer	-	1,432,529	1,274,187	158,343	-	158,343
24 .	Olayvar, Rico	Staff	-	180,838	30,774	150,064	-	150,064
25 .	Villalobos, Randy	Officer	180,390	1,960,963	1,995,627	145,726	-	145,726
26 .	Baco, Michael	Officer	-	483,748	350,655	133,093	-	133,093
27 .	Aguadera, Jonax	Officer	381,527	469,320	718,292	132,556	-	132,556
28 .	Gomez, Roger	Officer	236,895	6,157	128,325	114,727	-	114,727
29 .	Gubalani, Concepcion	Officer	316,594	324,057	539,963	100,688	-	100,688
30 .	Various Employees	below 100k	16,351,836	14,072,448	8,691,076	14,747,096	6,986,112	21,733,208
	TOTAL		**₱23,636,583**	**₱39,437,875**	**₱31,279,208**	**₱21,954,157**	**₱9,841,093**	**₱31,795,251**

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2018

Name and designation of creditor	Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
Pryce Gases, Inc.	Oro Oxygen Corporation	₱195,725,582	₱-	₱24,227,199	₱-	₱-	₱171,498,383	₱171,498,383
Pryce Gases, Inc.	Pryce Corporation	-	80,600,0000	-	-	-	80,600,000	80,600,000
Pryce Gases, Inc.	Pryce Pharmaceuticals, Inc.	-	1,971,291	-	-	-	1,971,291	1,971,291
Pryce Corporation	Pryce Gases, Inc.	109,523,325	140,476,675	-	-	-	250,000,000	250,000000
		₱305,248,907	₱223,047,966	₱24,227,199	₱-	₱-	₱504,069,674	₱504,069,674

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE D – INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2018

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
Goodwill	₱70,668,305	₱7,480,000	₱-	₱-	₱-	₱78,148,305

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE E – LONG TERM DEBT
DECEMBER 31, 2018

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt" in related statement of financial position	Amount shown under caption "Long-term debt" in related statement of financial position

Not Applicable

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2018

Name of related parties	Balance at beginning of period	Balance at end of period
NONE	₱-	₱-

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE G – GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2018

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

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCK
DECEMBER 31, 2018

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	2,098,000,000	2,024,500,000	-	91,062,450	33,716,395	1,899,721,155

ANNEX C

PRYCE CORPORATION AND SUBSIDIARIES
DECEMBER 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as at December 31, 2018**		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✔		
PFRSs Practice Statement Management Commentary				✔
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✔
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✔
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✔
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✔
	Amendments to PFRS 1: Government Loans			✔
PFRS 2	Share-based Payment			✔
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✔
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✔
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✔
PFRS 3 (Revised)	Business Combinations	✔		
PFRS 4	Insurance Contracts			✔
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✔
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✔
PFRS 6	Exploration for and Evaluation of Mineral Resources			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✔		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✔		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✔		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✔		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✔		
PFRS 8	Operating Segments	✔		
PFRS 9 (2014)	Financial Instruments	✔		
PFRS 10	Consolidated Financial Statements	✔		
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance	✔		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✔
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✔
PFRS 11	Joint Arrangements			✔
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✔
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✔
PFRS 12	Disclosure of Interests in Other Entities	✔		
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✔
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✔
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✔
PFRS 13	Fair Value Measurement	✔		
PFRS 14	Regulatory Deferral Accounts			✔
PFRS 15	Revenue from Contracts with Customers	✔		
	Amendments to PFRS 15: Clarifications to PFRS 15	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✔
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✔		
	Amendments to PAS 1: Disclosure Initiative	✔		
PAS 2	Inventories	✔		
PAS 7	Statement of Cash Flows	✔		
	Amendments to PAS 7: Disclosure Initiative	✔		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✔		
PAS 10	Events after the Reporting Period	✔		
PAS 12	Income Taxes	✔		
	Amendments to PAS 12: Deferred Tax: Recovery of Underlying Assets	✔		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✔		
PAS 16	Property, Plant and Equipment	✔		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✔		
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✔
PAS 17	Leases	✔		
PAS 19 (Revised)	Employee Benefits	✔		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✔		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✔
PAS 21	The Effects of Changes in Foreign Exchange Rates	✔		
	Amendment: Net Investment in a Foreign Operation			✔
PAS 23 (Revised)	Borrowing Costs	✔		
PAS 24 (Revised)	Related Party Disclosures	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✔
PAS 27 (Amended)	Separate Financial Statements			✔
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✔
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✔
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✔
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✔
PAS 29	Financial Reporting in Hyperinflationary Economies			✔
PAS 32	Financial Instruments: Presentation	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✔
	Amendment to PAS 32: Classification of Rights Issues			✔
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✔		
PAS 33	Earnings per Share	✔		
PAS 34	Interim Financial Reporting			✔
PAS 36	Impairment of Assets	✔		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✔		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✔		
PAS 38	Intangible Assets			✔
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✔		
PAS 40	Investment Property	✔		
	Amendments to PAS 40: Transfers of Investment Property			✔
PAS 41	Agriculture			✔
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✔
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✔
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✔		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✔
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✔
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✔
IFRIC 10	Interim Financial Reporting and Impairment			✔
IFRIC 12	Service Concession Arrangements			✔
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✔
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✔
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✔
IFRIC 17	Distributions of Non-cash Assets to Owners			✔
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✔
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✔
IFRIC 21	Levies			✔
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✔
SIC-7	Introduction of the Euro			✔
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-15	Operating Leases – Incentives			✔
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✔
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✔		
SIC-29	Service Concession Arrangements: Disclosures			✔
SIC-32	Intangible Assets - Web Site Costs			✔

Not Applicable – Standards and interpretations that are effective as at January 1, 2018 but will never be applicable to the Company due to the nature of its operations or not relevant to the Company because there are currently no related transactions.

Not Adopted – Standards and interpretations that are already issued but are not effective for the year ended December 31, 2018 and were not early adopted by the Company.

Please refer to Note 2 to the financial statements for related discussion on the assessed impact on the Company's financial statements on the adoption of new standards and interpretations effective in 2018 and onwards.

ANNEX "D"

RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As at December 31, 2018

PRYCE CORPORATION

17th Floor Pryce Center, 1179 Don Chino Roces Avenue, Makati City, Philippines.

Retained earnings available for declaration of dividend as at December 31, 2018 is computed as follows:

Unappropriated retained earnings, as adjusted to available for dividend declaration at beginning of year		**₱439,795,859**
Net income during the year closed to Retained Earnings	**₱586,794,733**	
Less: Non-actual/unrealized income, net of tax		
Equity in net income of associate/joint venture	**-**	
Gain on change in fair value of financial asset	**-**	
Add: Non-actual losses		
Depreciation on revaluation increment	**9,153,559**	
Net income actually earned during the year		**595,948,292**
Less: Cost of treasury stock		**(6,266,563)**
Dividend declarations during the year		**(485,649,696)**
Total retained earnings as at December 31, 2018 available for dividend declaration		**₱543,827,892**

PRYCE CORPORATION (Parent Company)
Aging of Accounts Receivable
As of December 31, 2018

Type of Accounts Receivable	Total	1-30 days	31-90 days	91-180 days	Over 180 days	1-2 Years	3-5 years	Past due accounts
a. Trade Receivables								
1. Subdivision/Condo	**₱1,337,811**	₱325,114	₱402,335	₱421,453	₱188,909	₱ -	₱ -	₱ -
2. Low-cost housing	**1,983,465**	239,158	393,025	473,622	432,882	444,778		-
3. Memorial Parks	**115,613,932**	15,719,873	16,832,390	18,792,119	21,086,485	21,230,830	21,952,235	-
4. Head Office	52,562	52,562	-	-	-	-	-	-
Totals	**118,987,770**	**16,336,707**	**17,627,750**	**19,687,194**	**21,708,276**	**21,675,608**	**21,952,235**	**-**
Less: Allow. For Doubtful Acct.								
Sub Total	**118,987,770**	**16,336,707**	**17,627,750**	**19,687,194**	**21,708,276**	**21,675,608**	**21,952,235**	**-**
b. Non-trade Receivables								
Advances to Officers & Employees	**5,410,870**	1,714,752	1,127,856	1,284,131	1,284,131			
Advances to Suppliers & Contractors	**1,260,551**	483,364	538,488	238,698				
Others	**8,204,778**	5,631,777	120,496	1,226,252	1,226,253			
Totals	**14,876,199**	**7,829,893**	**1,786,840**	**2,749,081**	**2,510,384**	**-**	**-**	**-**
Less: Allow. For Doubtful Acct.								-
Sub Total	**14,876,199**	**7,829,893**	**1,786,840**	**2,749,081**	**2,510,384**	**-**	**-**	**-**
Grand Total	**₱133,863,969**	**₱24,166,600**	**₱19,414,590**	**₱22,436,275**	**₱24,218,660**	**₱21,675,608**	**₱21,952,235**	**₱ -**

Accounts Receivable Description

Type of Receivables	Nature/Description	Collection period
1. Installment Receivables	**Subdivision**	1-7 years
	Low cost housing	1-15 years
	Memorial parks	1-3 years
	Condominium Office	1-5 years
	Commercial lot	1-3 years
	Head Office	1-3 months

SEC Number 168063
File Number ________

PRYCE CORPORATION
(formerly PRYCE PROPERTIES CORPORATION)

Company's Full Name

17th Floor Pryce Center, 1179 Chino Roces Avenue corner Bagtikan St., Makati City

Company's Address

899-44-01 (trunkline)

Telephone Number

December 31

Fiscal Year Ending
(Month & Day)

SEC Form 17-Q

Form Type

N/A

Amendment Designation (if applicable)

March 31, 2019

Period Ended Date

N/A

Secondary License Type and File Number

SECURITIES AND EXCHANGE COMMISSION

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, 2019
2. Commission identification number 168063
3. BIR Tax Identification No. 000-065-142-000
4. PRYCE CORPORATION (formerly Pryce Properties Corporation)
5. Metro Manila, Philippines
6. Industry Classification Code: [ ]
7. 17th Floor Pryce Center, 1179 Chino Roces Avenue cor. Bagtikan St. Makati City 1203
8. (0632) 899-44-01 (Trunkline)
9. N. A.

   Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA, as of March 31, 2019.

Title of Each Class	No. of Outstanding shares
Common Shares	2,016,431,100
Treasury Shares	8,068,900

11. Are any or all of the securities listed on a Stock Exchange?

    Yes { / } No { }

    Philippine Stock Exchange Common Stock

12. Indicate by check mark whether the registrant:

    (a) has filed reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

    Yes { / } No { }

    (b) has been subject to such filing requirements for the past ninety (90) days.

    Yes { / } No { }

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements.

Please see attached.

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

PPC registered a 6.5% year-on-year increase in net income, from Php 340.3 million to Php 362.3 million for the first quarter of 2019. Likewise, consolidated revenues increased from Php 2.35 billion to Php 2.57 billion, posting a 9.03% growth from its comparable 2018 period. These growth rates were mainly brought about by the company's principal product, liquefied petroleum gas (LPG).

Liquefied Petroleum Gas (LPG) and industrial gases are products of Pryce Gases, Inc. (PGI) – a subsidiary of the parent company Pryce Corporation (PC). Real estate sales is under Pryce Corporation (PC); while vitamins and supplements are handled by Pryce Pharmaceuticals, Inc. (PPhI), also a subsidiary of PC. Oro Oxygen Corporation (OOC) is a subsidiary of PGI, which distributes LPG and industrial gases in Luzon.

Revenue and Volume Growth

The 9.03% growth in consolidated revenues to P2.57 billion in 2019 is largely accounted for by the 8.75% increase in revenues from LPG and industrial gas. LPG revenues (from sales of cooking gas, cylinders and accessories) contributed the highest at P2.41 billion or 93.89% of total revenues; the balance is broken down as follows: industrial gases, P110.91 million (4.32%); real estate, P32.31 million (1.26%); and pharmaceutical, P13.52 million (0.53%).

Sales of LPG products (cooking gas, cylinders, LPG gensets, and accessories), rose by 8.97% to P2.41 billion while volume (LPG cooking gas) grew by 3.40% to 50.99 thousand MT compared to 49.31 thousand MT of the same period last year.

Industrial gas revenues increased to P110.91 million from P106.51 million or 4.12%. The industrial gas sales come mainly from sales of oxygen and acetylene gases, and other gases. Sales of oxygen was up by 6.22% to P81.13 million compared to year-before figures; while sales of acetylene also went up by 3.34% to P17.54 million; and the balance was accounted for by sales of other gases which declined by 7.05% to P12.24 million.

Real estate sales substantially grew by 30.59% to P32.31 million; revenues from pharmaceutical products likewise grew by 19.38% to P13.52 million.

Market Demand and Price Movement

The local LPG prices are directly affected by the international contract price (CP) of LPG in the world market. Average LPG contract price (CP) during the first quarter of the year was US$465/MT, which is US$54/MT lower than US$519/MT, the average CP for the same period in 2018. Consequently, the average peso price for LPG sales in the 1st quarter of 2019 was lower than that recorded in the same quarter of 2018.

Demand for LPG has been annually growing at an average of 12% for the past 5 years based on data from the Department of Energy. The demand for 2018 of 1.8 million MT is 61% higher than the 5-year-ago figure of 2013 at 1.11 million MT. This is expected to continue, at least in the near term, given the growth momentum of the economy, alongside favourable business environment, and the great opportunity for growth of the industry considering that the Philippines has a lower LPG per capita consumption compared to most of its Asian neighbors.

Competition

Despite the LPG market being a highly competitive environment, PGI remains a major industry player, especially in the Visayas and Mindanao areas given its more than 20 years of experience, infrastructure network of import marine terminals and various refilling plants all over the country, and the customers' brand loyalty owing to reliability of supply.

The Department of Energy ("DOE") reports that PGI has the following LPG market shares in the following regions as of 2018: 25% in Mindanao, 22% in Visayas, and 9% in Luzon (including NCR). PGI has an 11% share of the country's total market; it is the 2nd largest industry player in both the Visayas and Mindanao areas, and has a 23% market share of those areas combined.

Profitability

Gross Margin on LPG revenues improved to 22.59% from the year-ago figure of 21.18%. Likewise, gross margin on industrial gas sales minimally decreased to 49.31% from 49.73%. Gross margin on real estate sales declined to 70.15% from 81.80% while gross margin on pharmaceutical products also decreased to 30.00% from 34.30%. Consolidated income from operations reached P392.57 million, 15.22% higher than last year's P340.71 million. Other Income (mainly fair value gain adjustments on PC and PGI's Financial Assets at FVPL and sale of scrap materials), however, went down by 28.08% to P38.48 million from the previous year's P53.50 million.

With an after-tax net income of Php 362.35 million, the company posted earnings of P0.1652 per share for the period under review. Net income for the coming years will however be affected by the expiration of the income tax holidays that were enjoyed by the company's San Fabian, Pangasinan import terminal. PPC remains optimistic about its prospects for the year 2019 on account of strong household incomes (given steady OFW remittances and new job opportunities in a growing economy), and the company's expansion projects with the aim to widen the scope of its market as well as bring its LPG products closer to the consumers.

Liquidity

Liquid assets of the company as of March 31, 2019 totalled P1.63 billion, consisting of P806.53 million of Cash and P821.76 million of financial assets at FVPL. This amount of liquid resources had an insignificant decrease of 1.57% from the audited figure of P1.65 billion as of December 31, 2018. Other liquid assets of the company as of March 31, 2019 consisted of Trade and Other Receivables amounting to P378.85 million.

Current ratio as of March 31, 2019 was at 1.86:1 while total debt-to-equity ratio stood at 0.37:1.

Balance Sheet Changes

Compared to the December 31, 2018 audited accounts, the considerable movements in balance sheet accounts are as shown below.

Account Name	% Increase or (Decrease)	Reason for Change
Trade and other receivables	5.79%	Increase in revenue
Inventories	(11.36%)	Less importation received during the period

Prepayments & other current assets	38.07%	Due to accrual and prepayments of accounts
Deferred tax assets	6.90%	Adjustment of provision for deferred tax
Trade and other payables	(7.17%)	Due to payments of various accounts
Dividends payable	(97.02%)	Due to payment of dividends
Income Tax payable	58.74%	Increase in net income
Customer's deposits	(16.00%)	Due to recognition of deposits to revenue
Short-term debts	(5.86%)	Due to payment of short term loans
Retirement benefit obligations	6.63%	Additional recognition of retirement benefit
Retained earnings	13.85%	Increase in net income of 2019
Treasury stock	658.23%	Additional buy-back by Parent Company of its common shares from the open market
Non-controlling interest	6.95%	Increase in net income

Numerical Performance Indicators

The measures of revenue growth are presented below.

REVENUE GROWTH			
Pryce Corporation & Subsidiaries			
	2019 (March 31, 2019)	**2018 (March 31, 2018)**	Percent Growth/ (Decline)
REVENUE	P 2,565,416,333	P 2,352,985,970	9.03%

VOLUME GROWTH			
Principal Product – Liquefied Petroleum Gas			
	2019 (March 31, 2019)	**2018 (March 31, 2018)**	Percent Growth/ (Decline)
LPG (in MT)	50,990	49,312	3.40%

The measurements of profitability are shown below.

	2019 (March 31, 2019)	**2018 (March 31, 2018)**
Return on Assets (%)	3.89%	4.07%
Return on Equity (%)	5.63%	5.69%
Net profit margin (%)	16.80%	16.75%

The liquidity measurements are shown below:

LIQUIDITY		
Pryce Corporation & Subsidiaries		
	2019 (March 31, 2019)	**2018 (March 31, 2018)**
Current ratio	1.86	2.39
Debt to equity ratio	0.37	0.33

PART II – OTHER INFORMATION

For the period under review, the reports filed with the SEC by way of SEC 17-C pertain to Postponement of Stockholders Meeting and Certification by the Court on its closure and termination of PPC's corporate rehabilitation proceedings Ordered on July 28, 2015 and Board's approval of the Audited Financial Statements (Consolidated) for the year ended Dec. 31, 2018.

SIGNATURES

Pursuant to the requirements of the Revised Securities Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PRYCE CORPORATION
By:

JOSE MA. C. ORDENES
Treasurer

SALVADOR P. ESCAÑO
Chairman & CEO

14 March 2019

PRYCE CORPORATION AND SUBSIDIARIES

Financial Statements

for the periods ended March 31, 2019 and 2018, and December 31, 2018

PRYCE CORPORATION and SUBSIDIARIES
Consolidated Statements of Financial Position
As at March 31, 2019 (Unaudited) and December 31, 2018 (Audited)

	2019	Audited 2018
ASSETS		
Current assets		
Cash - note 4	**806,529,106**	848,846,339
Financial assets at fair value through profit or loss (FVPL) - note 5	**821,757,621**	805,336,648
Trade and other receivables (net) - note 6	**378,847,451**	358,097,756
Inventories - note 7	**950,251,278**	1,072,070,705
Real estate projects - note 8	**807,913,812**	816,037,022
Prepayments and other current assets - note 9	**103,534,879**	74,985,424
	3,868,834,147	3,975,373,894
Noncurrent assets		
Advances to related parties - note 20	**136,622,809**	131,444,881
Property, plant and equipment (net) - notes 10 and 11	**7,104,802,319**	6,993,581,230
Investment properties - note 12	**115,497,888**	115,497,888
Deferred tax assets	**37,601,884**	35,174,217
Goodwill - note 13	**78,148,305**	78,148,305
	7,472,673,205	7,353,846,521
TOTAL ASSETS	**11,341,507,352**	11,329,220,415
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables - note 14	**947,942,265**	1,021,138,260
Income tax payable	**184,885,945**	116,468,529
Customers' deposits - note 15	**91,836,010**	109,324,422
Short-term debts - note 16	**852,003,750**	905,078,052
Dividends payable - note 19	**7,409,587**	248,653,686
	2,084,077,557	2,400,662,949
Noncurrent liabilities		
Retirement benefit obligation - note 27	**125,020,299**	117,247,393
Deferred tax liabilities	**705,189,231**	714,111,829
	830,209,530	831,359,222
TOTAL LIABILITIES	**2,914,287,087**	3,232,022,171
Equity		
Equity attributable to equity holders of the Parent Company		
Capital stock - note 17	**2,024,500,000**	2,024,500,000
Additional paid-in capital	**369,834,820**	369,834,820
Retained earnings	**2,983,592,827**	2,620,553,908
Fair value gain on real estate properties - note 31	**1,030,726,843**	1,030,726,843
Other comprehensive income - note 26	**1,618,961,653**	1,639,781,107
Treasury stock - note 18	**(47,514,975)**	(6,266,563)
	7,980,101,168	7,679,130,115
Non-controlling interest	**447,119,098**	418,068,129
TOTAL EQUITY	**8,427,220,265**	8,097,198,244
TOTAL LIABILITIES AND EQUITY	**11,341,507,352**	11,329,220,415

(The accompanying notes are an integral part of these consolidated financial statements)

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the Period Ended March 31, 2019 and 2018

	2019	2018
REVENUES - note 21		
Liquefied petroleum and industrial gases	**2,519,585,309**	2,316,918,881
Real estate	**32,308,554**	24,740,128
Pharmaceutical products	**13,522,470**	11,326,962
	2,565,416,333	2,352,985,970
COST OF SALES - note 22		
Liquefied petroleum and industrial gases	**1,920,660,694**	1,795,856,876
Real estate	**9,645,649**	4,503,464
Pharmaceutical products	**9,465,729**	7,441,526
	1,939,772,071	1,807,801,866
GROSS INCOME	**625,644,261**	545,184,104
OPERATING EXPENSES - note 23	**233,076,686**	204,474,724
INCOME FROM OPERATIONS	**392,567,576**	340,709,380
OTHER INCOME (CHARGES) - Net		
Finance costs - note 24	**(9,935,583)**	(3,967,182)
Fair value gain (loss) on financial assets at FVPL	**29,766,661**	21,373,934
Other income (net) - note 25	**18,648,116**	36,096,762
	38,479,194	53,503,513
NET INCOME BEFORE TAX	**431,046,770**	394,212,894
Provision for Income Tax	**(68,698,878)**	(53,881,394)
NET INCOME	**362,347,892**	340,331,500
Total comprehensive income attributable to:		
Equity holders of the Parent Company	**333,296,923**	313,728,374
Non-controlling interests	**29,050,969**	26,603,126
	362,347,892	340,331,500
EARNINGS PER SHARE - note 29	**0.1652**	0.1550

(The accompanying notes are an integral part of these consolidated financial statements)

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the Period Ended March 31, 2019 and 2018 and December 31, 2018

	March 31 2019	March 31 2018	December 31 2018 Audited
CAPITAL STOCK	**2,024,500,000**	2,024,500,000	2,024,500,000
ADDITIONAL PAID-IN CAPITAL	**369,834,820**	369,834,820	369,834,820
FAIR VALUE GAIN ON REAL ESTATE PROPERTIES	**1,030,726,843**	1,030,726,843	1,030,726,843
OTHER COMPREHENSIVE INCOME	**1,618,961,653**	1,702,239,298	1,639,781,107
RETAINED EARNINGS (DEFICIT)			
At beginning of period	**2,620,553,908**	1,692,745,178	1,692,745,178
Net income for the period	**333,296,923**	313,728,374	1,288,081,156
Transfer of revaluation reserve deducted from operations through additional depreciation charges	**29,741,994**	29,741,981	118,967,983
Change in interest to Pryce Gases, Inc. resulting from increase in interest of Parent Company from 91.04% to 91.35%	**-**	-	6,409,287
Declaration of cash dividends	**-**	-	(485,649,696)
At end of period	**2,983,592,827**	2,036,215,533	2,620,553,908
TREASURY STOCK	**(47,514,975)**	-	(6,266,563)
	7,980,101,168	7,163,516,494	7,679,130,115
NON-CONTROLLING INTEREST			
At beginning of period	**418,068,129**	366,516,900	366,516,900
Net income for the period	**29,050,969**	26,603,126	114,892,543
Change in interest to Pryce Gases, Inc. resulting from increase in interest of Parent Company from 91.04% to 91.35%	**-**	-	(14,909,287)
Declaration of cash dividends	**-**	-	(48,432,027)
Acquisition of 8.5 million PGI common shares of non-controlling interest	**-**	(8,500,000)	-
At end of period	**447,119,098**	384,620,026	418,068,129
TOTAL EQUITY	**8,427,220,265**	7,548,136,520	8,097,198,244

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Period Ended March 31, 2019 and 2018 and December 31, 2018

	March 31 2019	March 31 2018 As Restated	December 31 2018 Audited
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**431,046,770**	394,212,894	1,718,847,737
Adjustments for :			
Depreciation - notes 10 and 11	**91,189,487**	89,239,379	368,917,645
Retirement benefit expense	**7,772,905**	9,323,332	25,321,034
Finance costs - note 24	**9,935,583**	3,967,182	34,178,845
Unrealized loss (gain) on financial assets at FVPL - note 5	**(29,766,661)**	(21,373,934)	47,020,829
Gain on sale of financial assets at FVPL - note 25	**(1,349,496)**	(12,023,900)	(32,102,718)
Dividend income - note 25	**(9,979,272)**	(11,237,618)	(40,734,023)
Income from reversal of allowance for doubtful accounts	**-**	-	(30,589,742)
Interest income - note 25	**(168,709)**	(146,589)	(1,334,974)
Unrealized foreign exchange gain	**-**	-	(6,411,820)
Gain on sale of property, plant and equipment	**(169,367)**	-	(30,446,891)
Operating income before working capital changes	**498,511,240**	451,960,745	2,052,665,922
Decrease (increase) in assets:			
Trade and other receivables	**(20,749,695)**	(185,321,132)	3,950,785
Inventories	**121,819,427**	(42,431,416)	(284,499,739)
Prepayments and other current assets	**(28,549,455)**	11,034,467	(6,773,320)
Real estate projects	**8,123,210**	(1,294,255)	28,627,414
Increase (decrease) in liabilities:			
Trade and other payables	**(73,196,050)**	68,271,554	291,298,464
Customers' deposits	**(17,488,412)**	27,797,625	(30,784,877)
Net cash from operations	**488,470,265**	330,017,588	2,054,484,649
Additions to financial assets at FVPL - note 5	**(2,692,561)**	(179,609,435)	(896,370,802)
Proceeds from sale of financial assets at FVPL	**17,387,745**	74,889,598	806,396,445
Dividends received - note 25	**9,979,272**	11,237,618	40,734,023
Interest received	**168,709**	146,589	1,334,974
Income taxes paid	**(281,462)**	(193,410)	(288,038,998)
Contributions and retirement benefits paid	**-**	(25,000,000)	(40,129,777)
Net cash from operating activities	**513,031,968**	211,488,549	1,678,410,514
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment - notes 10 and 11	**(202,492,617)**	(307,691,039)	(1,666,673,157)
Proceeds from sale of property, plant and equipment	**251,407**	-	51,583,572
Grant of advances to related parties	**(5,177,928)**	(108,668)	-
Increase in deferred tax assets	**(2,427,667)**	-	-
Net cash used in investing activities	**(209,846,804)**	(307,799,707)	(1,615,089,585)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of short-term debts	**852,003,750**	350,000,000	1,773,740,046
Finance costs paid	**(9,935,583)**	(3,967,182)	(34,178,845)
Payment of short-term debts	**(905,078,052)**	(300,000,000)	(1,218,661,994)
Payment of dividends	**(241,244,099)**	(242,093,086)	(528,368,037)
Acquisition of shares from non-controlling interest	**-**	(15,980,000)	(15,980,000)
Acquisition of treasury stocks	**(41,248,412)**	-	(6,266,563)
Net cash from (used in) financing activities	**(345,502,396)**	(212,040,268)	(29,715,393)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**-**	-	6,411,820
NET INCREASE (DECREASE) IN CASH	**(42,317,233)**	(308,351,426)	40,017,356
CASH - note 4			
AT BEGINNING OF PERIOD	**848,846,339**	808,828,983	808,828,983
AT END OF PERIOD	**806,529,106**	500,477,557	848,846,339

(The accompanying notes are an integral part of these consolidated financial statements.)

PRYCE CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
As at and for the periods ended March 31, 2019 and December 31, 2018
(Expressed in Philippine Peso)

1. CORPORATE INFORMATION

Pryce Corporation (the "Parent Company") and its Subsidiaries (collectively referred to as the "Group") were incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on various dates as follows:

Name of company	Date of incorporation
Pryce Corporation (Parent Company)	September 7, 1989
Pryce Gases, Inc. (PGI)	October 8, 1987
Oro Oxygen Corporation (OOC)	April 4, 2006
Pryce Pharmaceuticals, Inc. (PPhI)	March 10, 2000

The Parent Company is primarily engaged in acquiring, purchasing, leasing, holding, selling or otherwise dealing in land and or real estate or any interest or right therein as well as real or personal property of every kind and description including but not limited to shares of stock in industrial, commercial, manufacturing and any other similar corporations.

The Parent Company is a publicly-listed company which is 50.24% owned by Guild Securities, Inc., and 49.76% owned by PCD Nominee Corporation and other entities and individuals. The Parent Company's stock price amounted to ₱5.75 as at March 31, 2019 and December 31, 2018.

The Parent Company's registered office address is 17th Floor Pryce Center, 1179 Don Chino Roces Avenue cor. Bagtikan Street, Makati City.

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries it controls:

PGI

PGI is primarily engaged in the manufacture, production, purchase, sale and trade of all kinds of liquids and gases and other chemicals, other allied or related products, lease, operate, manage and construct and/or install for or on account of others, plants, equipment and machineries for the manufacture or production or distribution of the desired liquids and gases and other allied products. As at March 31, 2019, PGI has eight (8) liquefied petroleum gas (LPG) marine-fed terminals and sixty-two (62) refilling plants of varying storage capacities.

Certain operations of PGI is registered with the Board of Investments (BOI) and entitled to Income Tax Holiday (ITH) provided under Republic Act 8479, otherwise known as the Downstream Oil Deregulation Act of 1998 (see Note 30).

PGI's registered office address is 17th Floor Pryce Center, 1179 Don Chino Roces Avenue cor. Bagtikan Street, Makati City.

On February 19, 2018, the Parent Company acquired 8,500,000 shares of PGI from Marubeni Corporation for ₱15.98 million resulting to an increase in percentage (%) of ownership from 91.04% to 9l.35%.

<u>OOC</u>

OOC is primarily engaged in the purchase, importation, sale and distribution and manufacture and/or production of all kinds of gases including LPG, industrial gases, such as, oxygen, acetylene, hydrogen, nitrogen, argon, carbon dioxide, nitrous oxide, compressed air and helium and other allied or related products, including its containers, equipment and other receptacles. As at March 31, 2019, OOC has three (3) LPG refilling plants of varying storage capacities.

OOC's registered office address is 1st Lower Level Pryce Plaza Hotel, Carmen Hill, Cagayan de Oro City.

PGI owned 99.62% of the shares issued by OOC. The increase in stock ownership of the Parent Company to PGI resulted to an increase in % of ownership of the Parent Company to OOC from 90.69% to 91.00%.

<u>PPhI</u>

PPhI is primarily engaged in the trading of pharmaceutical products on wholesale and retail basis. The Subsidiary's registered office address is LGF Skyland Plaza, corner Gil Puyat Avenue and Tindalo Street, Makati City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

<u>Statement of compliance</u>

The consolidated financial statements of the Group have been prepared in conformity with Philippine Financial Reporting Standards (PFRS), except for the recognition of fair value gain on real estate properties transferred by the Parent Company to PGI as equity contribution, which have been taken up in the books and records of the Parent Company at cost instead of fair value as required under PFRS 3, *Business Combination*. The Group concluded that applying the said standard would be so misleading that it would conflict with the objectives of the consolidated financial statements set out in the Framework (see Note 31).

The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by the former Standing Interpretations Committee (SIC), the Philippine Interpretations Committee (PIC) and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for certain property, plant and equipment, which have been measured using the revaluation model, and financial assets at fair value through profit or loss (FVPL), which have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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, regardless of whether that price is directly observable or estimated using another valuation technique.

The consolidated financial statements are presented in Philippine peso (₱), the Group's functional and presentation currency. All amounts are rounded to the nearest peso except when otherwise indicated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and all subsidiaries it controls (see Note 1). Control is achieved when the Parent Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these three elements of control.

When the Parent Company has less than a majority of the voting or similar rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Parent Company considers all relevant facts and circumstances in assessing whether or not it has power over an investee, including:

- the contractual agreement with the other vote holders of the investee;
- rights, arising from contractual agreements; and
- the Group's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company 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 Parent Company gains control until the date when the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributable to equity holders of the Parent of the Group and to non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting year, using accounting policies that are consistent with those of the Parent Company. Intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation.

Non-controlling interest represents the portion of profits or losses and net assets of consolidated subsidiaries not held by the equity holders of the Parent Company, and is presented separately in the consolidated statements of comprehensive income, consolidated statements of changes in equity and within the equity section of the consolidated statements of financial position, separately from equity attributable to the equity holders of the Parent Company.

Changes in the ownership interests in subsidiaries that do not result in the loss of control are accounted for as equity transactions.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss.

The percentage (%) of ownership of the Parent Company as at March 31, 2019 and December 31, 2018 follows:

	Ownership and voting interest	
Name of subsidiary	2019	2018
PGI	91.35%	91.35%
OOC	91.00%	91.00%
PPhI*	88.66%	88.66%

** Includes indirect equity ownership of 13.66%.*

The summarized financial information in respect of the subsidiaries that have material non-controlling interest is set below:

The summarized statements of financial position as at March 31, 2019 and December 31, 2018 are as follows:

	2019			2018		
	PGI	**OOC**	**PPhI**	PGI	OOC	PPhI
Total current assets	**₱2,158,980,567**	**₱167,132,476**	**₱22,228,945**	₱2,238,534,547	₱183,344,785	₱20,674,542
Total noncurrent assets	**6,914,642,057**	**544,288,659**	**1,978,467**	6,736,411,400	542,188,507	792,718
Total assets	**9,073,622,624**	**711,421,135**	**24,207,412**	8,974,945,947	725,533,292	21,467,260
Current liabilities	**1,829,744,735**	**18,864,336**	**10,750,261**	1,818,835,532	14,963,124	8,678,639
Noncurrent liabilities	**511,471,016**	**151,638,524**	**2,102,345**	765,162,894	171,498,383	1,971,291
Total liabilities	**2,341,215,751**	**170,502,860**	**12,852,606**	2,583,998,426	186,461,507	10,649,930
Equity	**₱6,732,406,873**	**₱540,918,275**	**₱11,354,806**	₱6,390,947,521	₱539,071,785	₱10,817,330

The summarized statements of comprehensive income for the periods ended March 31, 2019 and 2018 are as follows:

	2019			2018		
	PGI	**OOC**	**PPhI**	PGI	OOC	PPhI
Revenues	**₱2,514,977,387**	**₱29,600,924**	**₱13,522,470**	₱2,314,124,547	₱61,614,514	₱11,326,962
Expenses	**(2,117,720,780)**	**(26,977,398)**	**(12,754,648)**	(1,957,932,963)	(59,116,831)	(11,025,068)
Income tax expense	**(64,033,278)**	**(777,036)**	**(230,347)**	(50,674,700)	(741,100)	(90,568)
Net income	**333,223,328**	**1,846,490**	**537,476**	305,516,884	1,756,583	211,326
Other comprehensive income	**-**	**-**	**-**	-	-	-
	₱333,223,328	**₱1,846,490**	**₱537,476**	₱305,516,884	₱1,756,583	₱211,326
Net income attributable to:						
Equity holders of the Parent Company	**304,399,510**	**1,680,306**	**476,509**	279,089,674	1,604,639	187,355
Non-controlling interest	**28,823,818**	**166,184**	**60,967**	26,427,210	151,944	23,971
	₱333,223,328	**₱1,846,490**	**₱537,476**	₱305,516,884	₱1,756,583	₱211,326

Impact of the Revised Corporation Code of the Philippines

The Republic Act No. 11232 otherwise known as the Revised Corporation Code of the Philippines (the "Revised Code") took effect on February 23, 2019, which aimed at improving ease of doing business, affording more protection to corporations and stockholders, and promoting good corporate governance.

The Revised Code should be applied prospectively. The requirement to prepare and submit the annual financial statements based on the Revised Code is effective beginning on or after February 23, 2019. All financial statements covering the periods on or before February 22, 2019 are required to be prepared and submitted in accordance with the Old Corporation Code or Batas Pambansa Bilang 68, in addition to the requirements of the SRC Rule 68.

This will have no impact on the preparation and submission of the Group's consolidated financial statements.

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial years except for the following new and amended PFRS that are mandatorily effective for annual periods beginning on or after January 1, 2018.

PFRS 9, *Financial Instruments (2014)*

PFRS 9, *Financial Instruments* replaces PAS 39 *Financial Instruments: Recognition and Measurement*, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

The standard requires all recognized financial assets that are within the scope of PAS 39 to be subsequently measured at amortized cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely for payments of principal and interest on the outstanding balance are generally measured at amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. For financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

The assessment of the Group's business model was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether the contractual cash flows on debt instruments solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

(a) Classification and measurement of financial instruments

The measurement category and the carrying amount in accordance with PAS 39 and PFRS 9 as of Janary 1, 2018 are compared as follows:

	Original measurement category under PAS 39	New measurement category under PFRS 9
Cash in banks	Loans and receivables	Amortized cost
Equity instrument held for trading	Financial assets at FVPL	Financial assets at FVPL
Trade and other receivables	Loans and receivables	Amortized cost
Advances to a related party	Loans and receivables	Amortized cost

The carrying amount of the financial assets are not affected by the change in classification as the basis of measurement under PAS 39 and PFRS 9.

The Group does not have financial assets and financial liabilities which had previously been designated at FVPL to reduce an accounting mismatch in accordance with PAS 39 which had been reclassified to amortized cost or fair value through other comprehensive income (FVOCI) upon transition to PFRS 9.

The application of the PFRS 9 has no impact on the classification and measurement of the Group's financial liabilities.

(b) Impairment testing under expected credit loss (ECL) model

There is no remeasurement loss recognized in retained earnings as at January 1, 2018. The use of ECL, upon adoption of PFRS 9, did not result to any material additional impairment loss.

For receivables arising from sale of real estate, the Group has applied the standard's simplified approach and has calculated ECL based on lifetime ECL. The Group does not track changes in credit risk, but instead recognize loss allowance based on lifetime ECL at each reporting date.

For trade and other receivables, other than those arising from sale of real estate, the Group has also applied the standard's simplified approach and has also calculated ECL based on lifetime ECL.

For advances to related parties, the Group has applied the standard's general approach where the Group must determine whether the credit risk has not increased significantly since initial recognition (Stage 1), the credit risk has increased significantly since initial recognition (Stage 2), or the financial assets are credit-impaired (Stage 3).

The key inputs in the ECL model include the Group's definition of default and historical data for the origination, maturity date and default date. The Group considers receivables in default when the Group forfeits and reposseses the property from the customer through cancellation. However, in certain cases, the Group may also consider financial assets to be in default when internal and external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

The probability of default is applied to the estimate of loss arising on default which is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including repossession of subject memorial lawn lots and real estate projects, net of cash outflows.

The above process resulted to zero loss given default, thus, no impairment loss is recognized. The Group determines that the fair value of the real property which will be repossessed in case of default is higher than the outstanding balance and that forward-looking information indicates low credit risk.

The Group assessed that the adoption of PFRS 9, specifically on the determination of impairment loss using simplified approach has no significant impact on the carrying amounts of the Group's financial assets.

PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11 *Construction Contracts*, PAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a comprehensive framework for recognizing revenue from contracts with customers. The core principle in that framework is that an entity should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized in accordance with that core principle by applying the following steps: (a) identify the contracts with customers; (b) identify the performance obligations in the contract; (c) determine the transaction price; (d) allocate the transaction price to the performance obligations in the contract; and (e) recognize revenue when the entity satisfies a performance obligation.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the framework to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract with a customer and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group has adopted PFRS 15 *Revenues from Contracts with Customers* from January 1, 2018. The effects of the adoption is summarized below:

(a) Sale of LPG, cylinders, stoves, accesories and industrial gases

Based on the Group's assessment, the Group has concluded that revenues from sale of LPG and industrial gases should be recognized at a point in time when control of the asset is transferred to the customer, which is upon delivery of goods. The adoption has no impact on the January 1, 2018 consolidated financial statements since the Group has been recognizing revenue in the same manner.

(b) Sale of memorial lots

Under PFRS 15, the Group has concluded that revenue from sale of memorial lots should be recognized at the point in time when control of the asset is transferred to the customer, generally when lawn lots are allowed to be used for burial which is upon 100% payment of purchase of lawn lot and upon 50% payment of family estate. The adoption has no impact on the consolidated financial statements since the Group has been recognizing revenue in the same manner.

(c) Sale of subdivision lots and office units

Before the adoption of PFRS 15, revenues from sale of subdivision lots and office units are recognized in full when substantially complete and upon receipt of sufficient down payment, provided that the profit is reliably determinable; that is, the collectability of the sales price is reasonably assured or the amount that will not be collected can be estimated reliably, and the earning process is virtually complete, that is the seller is not obliged to perform significant activities after the sale to earn the profit.

Under PFRS 15, the Group has concluded that revenue from sale of subdivision lots and office units should be recognized at a point in time when control is transferred to the customer which normally happens upon turnover of subdivision lots and office units to the buyer.

The adoption has no significant impact on the consolidated financial statements since all of its projects pertaining to subdivision lots and office units are completed.

(d) Sale of pharmaceutical products

The Group has concluded that revenues from sale of pharmaceutical products should be recognized at a point in time when control of the asset is transferred to the customer, which is upon delivery of goods. The adoption has no impact on the January 1, 2018 consolidated financial statements since the Group has been recognizing revenue in the same manner.

The recognition and measurement of PFRS 15 also apply to gains or losses on disposal of non-financial assets (such as property, plant and equipment and investment property), when that disposal is not in the ordinary course of business. However, in relation to transition to PFRS 15, the effects of these changes is not material for the Group.

PAS 40 (Amendment), *Investment Property – Transfers of Investment Property*

The amendments clarify that to transfer to, or from, investment properties there must be a change in use. A change in use would involve (a) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (b) supporting evidence that a change in use has occurred. The application of the amendments provides two options for transition: (a) An entity shall apply those amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments; or (b) retrospective application if, and only if, that is possible without the use of hindsight. The amendments have no material impact on the disclosures and amounts recognized on the Group's consolidated financial statements.

New accounting standards, interpretations and amendments to existing standards effective subsequent to January 1, 2018

Standards issued but not yet effective up to the date of the Group consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

Annual Improvements to PFRSs 2015-2017 Cycle

The annual improvements addressed the following issues:

PAS 12 (Amendment), I*ncome Taxes – 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 shall recognize 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.

PAS 23 (Amendment), *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.

The above improvements are effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

The application of the above improvements will have no significant impact on the disclosures and amounts recognized on the Group's consolidated financial statements. All of the Group's dividends are exempt from income tax and all of the Group's borrowings are expensed as incurred.

PAS 19 (Amendment), *Employee Benefits – Plan Amendment, Curtailment or Settlement*

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. The amendments also clarify how the requirements on accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements. The amendments are effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

This amendment will have no significant impact on the disclosures and amounts recognized in the Group's consolidated financial statements. Currently, the Group has no plan on amending its retirement benefit plan.

Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

This interpretation addresses how to apply the recognition and measurement requirements of PAS 12 *Income Taxes* when there is uncertainty over income tax treatments. This interpretation is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

The interpretation will have no significant impact on the Group's consolidated financial statements since the Group is recognizing its income taxes in accordance with PAS 12 *Income Taxes.*

PFRS 16, *Leases*

This new standard introduces a single lessee accounting model to be applied to all leases, whilst substantially carries forward the lessor accounting requirements in PAS 17 Leases. Lessees recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than twelve (12) months, unless the underlying asset is of low value. Whereas, lessors continue to classify leases as operating leases or finance leases, and to account for those two (2) types of leases differently. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16.

The adoption of the standard will result in recognition of an asset for the right to use the underlying asset over the lease term and a lease liability for the obligation to make lease payments in the consolidated statements of financial position. In addition, this will result in recognition of depreciation on the right of use asset and interest on lease liability in the consolidated statement of comprehensive income, and presentation of the total amount of cash paid into a principal portion and interest within financing activities in the consolidated statements of cash flows.

A lessee can choose to apply the standard using either full retrospective or a modified retrospective approach. The standard's transition provision permits such relief.

The Group expects the standard to have an impact on its operating lease agreements for sales offices, LPG refilling plants, LPG tank storages and land for the use of its operations which will require recognition of the right-of-use assets in the books and its related lease liability. Further, instead of rent expense, the Group will recognize amortization of right-of-use asset and finance cost.

PFRS 3 (Amendment), *Business Combinations – Definition of a Business*

The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. It narrows the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs. In addition, it provides guidance and illustrative examples to help entities assess whether a substantive process has been acquired and remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendment also adds an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted.

The amendments will not have an impact on the disclosures and amounts recognized on the Group's consolidated financial statements.

Determination of fair value and fair value hierarchy

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

The Group determines the policies and procedures for both recurring fair value measurement, such as financial assets at FVPL, and for nonrecurring measurement, such as investment properties.

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.

Fair value measurement disclosures of financial and non-financial assets are presented in Note 35 to the consolidated financial statements.

"Day 1" Difference

When 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 the consolidated statements of comprehensive income unless it qualifies for recognition as some other type of asset or liability. 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 the consolidated statements of comprehensive income 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.

Financial instruments

Initial recognition, measurement and classification

The Group recognizes financial assets and financial liabilities in the consolidated statements of financial position 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 market place are recognized on the settlement date.

With the exception of trade receivables that do not contain a significant financing component, financial assets and financial liabilities are recognized initially at fair value including transaction costs, except for those financial assets and liabilities at FVPL where the transaction costs are charged to expense in the period incurred. Trade receivables that do not contain a significant financing component are recognized initially at their transaction price.

The Group classifies its financial assets as subsequently measured at amortized cost and FVPL. The classification of financial assets depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing the financial assets. The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group classifies its financial liabilities as subsequently measured at amortized cost using the EIR.

Upon initial recognition, the Company may make an irrevocable election to present in other comprehensive income changes in the fair value of an equity investment that is not held for trading. The classification is determined on an instrument-by-instrument basis.

Financial assets at amortized cost

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

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

After initial measurement, financial assets at amortized cost are subsequently measured using the EIR method less allowance for impairment. Gains and losses are recognized in the profit or loss when the financial assets at amortized cost are derecognized, modified or impaired. These financial assets are included in current assets if maturity is within twelve (12) months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

As at March 31, 2019 and December 31, 2018, included under financial assets at amortized cost are the Group's cash, trade and other receivables (except advances to contractors and suppliers), and advances to related parties (see Notes 4, 6 and 20).

Cash includes cash on hand and demand deposits.

Trade and other receivables represent the Group's right to an amount of consideration that is unconditional.

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model.

As at March 31, 2019 and December 31, 2018, included under financial assets at FVPL are the Group's listed equity investments held for trading which the Group has not irrevocably elected to classify at FVOCI (see Note 5).

Financial liabilities at amortized cost

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading, or designated as at FVPL, are measured subsequently at amortized cost using the EIR.

The EIR is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

As at March 31, 2019 and December 31, 2018, included in financial liabilities at amortized cost are the Group's trade and other payables (excluding deposit for park internment services and due to government agencies), short-term debts, and dividends payable (see Notes 14, 16, and 19).

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables include non-trade payables and accrued expenses. Trade and other payables are classified as current liabilities if payment is due within one (1) year or less or in the normal operating cycle of the business, if longer, while non-trade payables are classified as current liabilities if payment is due within twelve (12) months or less. If not, these are presented as noncurrent liabilities.

Short-term debts represent cash payable to bank which are due within twelve (12) months.

Dividends payable represent dividends declared which remain unclaimed by stockholders as at the end of the reporting period.

Amortized cost and EIR method

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the EIR method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the EIR for debt instruments measured subsequently at amortized cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the EIR to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the EIR to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the EIR to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognizes interest income by applying the credit-adjusted EIR to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

For financial assets other than purchased or originated credit-impaired financial assets, the EIR is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted EIR is calculated by discounting the estimated future cash flows, including ECL, to the amortized cost of the debt instrument on initial recognition.

Interest income is recognized under Other income (net) in the consolidated statements of comprehensive income.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derecognition of financial assets and liabilities

Financial assets

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

- the rights to receive cash flows from the asset have 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 rights 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 risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement 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. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability was 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 the consolidated statements of comprehensive income.

Impairment of financial assets

The Group recognizes an allowance for ECL for all debt instruments that are measured at amortized cost. ECL are a probability-weighted estimate of credit losses over twelve (12) months or over the expected life of the financial asset depending on the degree of risk of default.

Credit losses are 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 the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For receivables arising from sale of real estate, the Group has applied the standard's simplified approach and has calculated ECL based on lifetime ECL. The Group does not track changes in credit risk, but instead recognize loss allowance based on lifetime ECL at each reporting date. The loss allowance shall only be adjusted if there is a decline in the fair value of real property which may be repossessed in case of default and such decline will render the fair value of the real property lower than the outstanding balance of the financial instruments.

For receivables other than those arising from sale of real estate, the Group assesses at each end of the reporting period whether the credit risk on a financial asset has increased significantly since initial recognition. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to the lifetime ECL. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to 12-month ECL. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12- month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within twelve (12) months after the reporting period.

When the credit risk on financial instruments for which lifetime ECL have been recognized subsequently improves, and the requirement for recognizing lifetime ECL is no longer met, the loss allowance is measured at an amount equal to 12-month ECL at the current reporting period, except for assets for which simplified approach was used.

The Group recognizes impairment loss (reversals) in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Significant increase in credit risk

Significant increase in credit risk is only assessed for receivables other than those arising from sale of real estate.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the end of reporting period with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, the Group assumes that the credit risk on receivables other than those arising from sale of real estate has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the end of reporting period. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than thirty (30) days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit- impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lenders of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concessions that the lenders would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- decrease in the net realizable value of the real estate property which can be recovered from the debtor of sale of real estate if it defaults.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables arising from sale of real estate, when the real estate property which can be recovered if the debtor defaults is no longer saleable. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Inventories

Inventories are composed of four (4) product lines namely: (1) LPG, cylinders, stoves and accessories, (2) industrial gases (3) real estate projects and (4) pharmaceutical products.

Inventories are initially measured at cost and subsequently measured at the lower of cost or net realizable value (NRV).

Cost consists of purchase price, conversion costs and other costs incurred in bringing the inventories to its present location and condition. Cost of real estate projects also include expenditures for the development and improvement of subdivision lots and memorial lots, and construction of the office units.

Cost of LPG, cylinders, stoves and accessories and industrial gases is determined using moving average method. Cost of real estate projects is determined using specific identification. And, cost of pharmaceutical products is determined primarily on the basis of first-in, first-out (FIFO) method. Cost of products sold includes invoice cost, excise taxes, overhead, freight and handling cost, refilling costs and excludes borrowings costs.

LPG, cylinders, stoves, accessories and industrial gases are classified as follows:

- *Raw materials* – pertain to calcium carbide and liquid oxygen used in the production of acetylene under industrial gases line.

- *Finished goods* – composed of two (2) product lines such as, (1) LPG, cylinders, stoves and accessories, and (2) industrial gases.

LPG, cylinders, stoves and accessories includes LPG bulk, content, and LPG already filled in the cylinders. LPG accessories pertain to burners and regulators.

Industrial gases pertain to oxygen and acetylene and other related gases which are produced and sold in the market.

- *General supplies* – include cylinder maintenance, electric and oxygen supplies used for production.

NRV for finished goods is the estimated selling price in the ordinary course of business less the estimated cost of marketing and distribution. NRV for raw materials and materials and supplies is the current replacement cost. In case of supplies, NRV is the estimated realizable value of the supplies when disposed of at their condition at the end of reporting period.

When the NRV of the inventories is lower than the cost, the Group provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in profit or loss. The amount of any reversal of any write-down of inventories, arising from an increase in NRV, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs. Any increase in NRV in excess of the expense previously recognized is not recognized.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

Prepayments and other current assets

Prepayments are expenses paid in cash and recorded as asset before they are used or consumed, as the service or benefit will be received in the future. Prepayments expired are recognized as expense either with the passage of time or through use or consumption.

This account is mainly composed of prepaid rent, taxes and licenses, insurance, maintenance, input valued-added tax (VAT), deferred charges and other prepaid items. Prepaid rent, insurance, maintenance and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statements of comprehensive income when incurred.

Input VAT is the indirect tax paid by the Group on the local purchase of goods or services from a VAT-registered person. Input VAT is deducted against output tax in arriving at the VAT due and payable.

Deferred charges represent project development cost paid in advance but has not yet been incurred as at year-end.

Prepayments and other current assets that are expected to be realized for not more than twelve (12) months after the end of the reporting period are classified as current assets, otherwise, these are classified as other noncurrent assets.

The Group, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses.

Property, plant and equipment

Property, plant and equipment are initially measured at cost. The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location of its intended use, and the initial estimate of the future costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the period in which the costs are incurred. Expenditures for additions, major improvements and renewals are capitalized.

Subsequent to initial recognition, its property, plant and equipment are measured using cost model and revaluation model.

(a) Revaluation model

The Group's land and land improvements, buildings and structures, machinery and equipment, oxygen and acetylene cylinders and hotel and office equipment are subsequently measured using revaluation model. Buildings and structures and machinery and equipment which are measured using revaluation model pertain to those which are specifically for industrial gases. These are carried at revalued amount, being the fair value at the date of revaluation as determined by an independent appraiser, less subsequent depreciation and impairment, provided that the fair value can be measured reliably. Additions subsequent to the date of appraisal are stated at revalued amount.

Revaluation is carried out regularly, so that the carrying amounts do not differ materially from its fair value as at the reporting date. If a revaluation results in an increase in value, it is credited to Revaluation reserves unless it represents the reversal of a revaluation decrease previously recognized as an expense, in which case it is recognized in profit or loss. A decrease arising as a result of a revaluation is recognized as an expense to the extent that it exceeds any amount previously credited to Revaluation reserves.

Depreciation of property, plant and equipment at revalued amount commences once the property, plant and equipment are available for use and computed using the straight-line basis over the estimated useful lives of property, plant and equipment as follows:

	In Years
Land and land improvements	40
Buildings and structures	20-40
Oxygen and acetylene cylinders	15
Machinery and equipment	9-10
Hotel and office equipment	9

The useful lives and depreciation method are reviewed annually to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

When these are disposed of, any Revaluation reserves are transferred directly to retained earnings. The transfer to retained earnings should not be made through profit or loss.

(b) Cost model

The Group's LPG plant, machinery and equipment, transportation equipment, leasehold improvements, furniture, fixtures and equipment, construction in-progress and other buildings and structures are subsequently measured using cost model. Buildings and structures and machinery and equipment which are measured using cost model pertain to those which are specifically for LPGs. These are stated at cost less accumulated depreciation and any impairment in value.

Depreciation of property, plant and equipment at cost commences once the property, plant and equipment are available for use and computed using the straight-line basis over the estimated useful lives of property, plant and equipment as follows:

	In Years
Buildings and structures	20-40
LPG plant, machinery and equipment	20
Leasehold improvements	5-15
Machinery and equipment	9
Transportation equipment	5-6
Furniture, fixtures and equipment	5

Construction in progress (CIP) is stated at cost. This includes cost of construction, borrowing cost, plant and equipment and any other direct cost. CIP is not depreciated. Upon completion, these are reclassified to the specific Property, plant and equipment (net) accounts.

Leasehold improvements are depreciated over its useful life, which is shorter than the lease term.

The useful lives and depreciation method are reviewed annually to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

When property, plant and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated property, plant and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, is measured initially at cost, including transaction costs. Cost includes purchase price and any other cost directly attributable to bringing the assets to its working condition and location for its intended use. Subsequent to initial recognition, investment properties are measured at cost less impairment loss, if any.

Subsequent expenditures relating to an item of investment properties that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Investment properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. The fair value less cost of disposal is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of comprehensive income.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statements of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for that asset in prior years.

Investment properties are derecognized when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statements of comprehensive income in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

As at March 31, 2019 and December 31, 2018, included in investment properties are the Group's land and memorial lots, which are held for lease and capital appreciation, respectively.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. 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. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business acquisition over the fair values of the identifiable net assets and liabilities acquired. Subsequent to initial recognition, it is measured at cost less any accumulated impairment losses.

Should the fair values of the identifiable net assets and liabilities acquired exceeds the cost of business acquisition, the resulting gain is recognized as a bargain purchase in the consolidated statements of comprehensive income. 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 the 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 portion of the CGU retained.

When a subsidiary is sold, the difference between the selling price and the net assets plus the carrying amount of goodwill is recognized in the consolidated statements of comprehensive income.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than the amount of the CGU to which the goodwill has been allocated (or to the aggregate carrying amount of a group of CGU to which the goodwill relates but cannot be allocated), an impairment loss is recognized immediately in the consolidated statements of comprehensive income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill at the end of each reporting period.

Impairment of non-financial assets except inventories and goodwill

At the end of each reporting period, the Group assesses whether there is any indication that any of its assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized as an expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Impairment losses recognized in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Customers' deposits

Customers' deposits pertain to amount paid in advance by customers in exchange of memorial lots or residential units which have not yet met the Group's revenue recognition criteria.

Borrowing cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the consolidated statements of comprehensive income in the period incurred.

Leases

Lease is classified at the inception period as a finance lease or an operating lease. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as a lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Group as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged in the consolidated statements of comprehensive income on a straight-line basis over the period of the lease.

Income taxes

The tax expense comprises current and deferred tax. Tax is recognized in the consolidated statements of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over 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, carry-forward benefits of unused tax credits from excess of MCIT over RCIT and unused NOLCO can be utilized.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each reporting date, the Group reassesses the need to recognize previously unrecognized deferred income tax asset.

Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax asset against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employee benefits

Short-term employee benefits

The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period that are expected to be settled wholly before twelve (12) months after the end of the reporting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement benefits obligation

The Group provides retirement benefits to employees through a defined benefit plan. A defined benefits plan is a pension plan that determines the amount of pension benefit an employee would receive upon retirement, usually dependent on several factors such as age, salary and length of service.

The net defined benefit liability or 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 asset, if any.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. The defined benefit cost comprises of the service cost, net interest on the defined benefit liability or asset and the remeasurement of net defined benefit liability or asset.

Retirement benefits expense comprises the following:

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

Service cost, which includes current service cost and gains and losses on settlement are recognized as expense in the consolidated statements of comprehensive income.

Past service cost is recognized as an expense at the earlier of the date when a plan amendment or curtailment occurs and the date when an entity recognizes any termination benefits, or related restructuring costs.

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

Remeasurements comprising actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified in the consolidated statements of comprehensive income in subsequent periods. All remeasurements are recognized in Remeasurement gains (loss) on retirement benefits obligation account under other comprehensive income, and is presented in the consolidated statements of financial position, are not reclassified to another equity account in subsequent periods.

Termination benefits

A termination benefit liability is recognized at the earlier of the following dates:

- when the Group can no longer withdraw the offer of those benefits, which occurs when employee accept offer of benefits on termination, and as a result of the Group's decision to terminate an employee's employment, or
- when the Group recognizes costs for restructuring which involves the payment of termination benefits.

Termination benefits are measured in accordance with the nature of employee benefit, whether short-term employee benefit, post-employment benefit or other long-term employee benefits.

Related party relationships and transactions

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

Related party relationship exists when: (a) a person or a close member of that person's family has control or joint control, has significant influence or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity; and (b) when any of the following conditions apply: (i) an entity and the reporting entity are members of the same group; (ii) one entity is an associate or joint venture of the other entity; (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party; (v) the entity is a post-employment benefit plan for the benefit of employees of the reporting entity; (vi) the entity is controlled or jointly controlled by a person as identified in (a) above; (vii) the entity or any member of a group of which it is part, provides key management personnel services to the reporting entity or to the parent of the reporting entity; (viii) a person identified in (a) above has significant influence over the reporting entity or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Capital stock represents the par value of the shares issued and outstanding as at reporting date.

Additional paid-in capital (APIC) includes any premiums received on the issuance of capital stock. Incremental costs directly attributable to the issue of new shares are deducted from APIC, net of tax. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one (1) class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Retained earnings represent accumulated earnings and losses of the Group, and any other adjustments to it as required by other standards, less dividends declared.

Treasury stocks represent own equity instruments reacquired, the amount of the consideration paid, including directly attributable cost, net of any tax effects, is recognized as a reduction from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as APIC. Voting rights related to treasury stocks are nullified for the Group and no dividends are allocated to them respectively.

When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to APIC to the extent of the specific or average APIC when the shares were issued and to retained earnings for the remaining balance.

Dividend distribution

Cash dividends on common shares are recognized as a liability and deducted from equity when approved by the Parent Company's BOD. Stock dividends are treated as transfers from retained earnings to capital stock. Dividends for the year that are approved after the end of the reporting period are dealt with as a non-adjusting event after the end of reporting period.

Revenue recognition

Revenue is recognized when control of the goods or services are transferred to customer at an amount that reflects the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue from the following sources:

(a) Sale of LPG, cylinders, stoves, accessories and industrial gases

Revenue from sale of LPG, cylinders, stoves, accessories and industrial gases are recognized when control of the goods has transferred, being at the point the customer purchases the goods at refilling plant terminal and retail outlet and when the goods have been shipped to the wholesaler's specific location.

(b) Sale of real estate

Revenues from sale of real estate arise from sale of memorial lots, subdivision lots and office units.

Revenues from sale of memorial lots are recognized at a point in time when control of the asset is transferred to the customer, generally when lots are allowed to be used for burial which is upon 100% payment for purchase of lawn lot and upon 50% payment for purchase of family estate.

Revenues from sale of subdivision lots and office units are recognized at a point in time when control is transferred to the customer which normally happens upon turnover of subdivision lots and office units to the buyer.

(c) Sale of pharmaceutical products

Revenues from sale of pharmaceutical products are recognized at a point in time when control of the asset is transferred to the customer which is upon sale of pharmaceutical products to customer.

(d) Revenues arising from hotel operations

Revenues are recognized when services are rendered, while those from banquet and other special events are recognized when the events take place. These are shown under hotel operations account in the Group's statements of comprehensive income.

(e) Interest income

Interest is recognized on a time proportion basis using the effective interest method.

(f) Dividend income

Dividend income is recognized when the Group's right to receive payment is established. The right to receive payment is usually established when the dividend is declared by BOD.

(g) Other comprehensive income

Other comprehensive income comprises items of income and expenses, including items previously presented under the consolidated statements of changes in equity, that are not recognized in profit or loss for the year in accordance with PFRS.

(h) Other income

Other income is recognized when earned.

Expense recognition

Cost and expenses are recognized in the consolidated statements of comprehensive income when decrease in the future economic benefit related to a decrease in an asset or an increase in liability has arisen that can be measured reliably.

Cost of of LPG, cylinders, stoves, accessories, industrial gases and pharmaceutical products sold is recognized as expense when the related goods are sold.

Cost of real estate projects sold is determined based on the actual development costs incurred to date plus estimated cost to complete the project as determined by the Group's technical staff and contractors, in case of incomplete projects. These estimates are reviewed periodically to take into consideration the changes in cost estimates.

Cost of hotel operations includes salaries and wages of hotel staff, supplies, outside services and repairs and maintenance and other costs attributable to hotel operations.

Selling expenses are costs incurred to sell or distribute inventories. General and administrative expenses constitute costs of administering the business which are expensed as incurred.

Cost to obtain a contract

The Group pays sales commission to its employees for each contract that they obtain for sale of memorial lots and subdivision lots. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (included under Salaries, wages and benefits as part of Cost of goods sold) since the amortization period of the asset that the Group otherwise would have used is one (1) year or less.

Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (functional currency). The consolidated financial statements are presented in Philippine peso (₱) the Group's functional and presentation currency.

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 pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and the amount can be estimated reliably. The expense relating to any provision is presented in the consolidated statements of comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

The Group’s operating business segment are organized and managed separately according to business activities. The Group’s management monitors the operating result of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group’s financing which includes finance cost, impairment of assets and income taxes are managed on a group basis and are not allocated to operating segments.

The Group has no geographical segment for segment reporting format as the Group’s risks and rates of return are in the same economic and political environment as the Group is incorporated and operating in the Philippines.

The Group has three (3) operating business segments representing the Group’s (1) real estate, (2) LPG and industrial gases, and (3) pharmaceutical products.

Earnings per share

Earnings per share is computed by dividing net income by the weighted average number of common shares issued, subscribed and outstanding during the year with retroactive adjustments for stock dividends declared.

Events after the reporting date

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances at the end of the reporting period. Actual results could differ materially from such estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant accounting judgments in applying the Group's accounting policies

(a) Business model assessment

Classification and measurement of financial assets depends on the results of the business model and solely for payments of principal and interest test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

(b) Impairment of financial assets

The Group makes use of simplified approach in determining the ECL for receivables arising from sale of real estate and general approach for receivables other than those arising from sale of real estate.

Simplified approach is used for receivables arising from sale of real estate since these are generally short term in nature and are protected by credit enhancement, where real property may be repossessed in case of default of debtor. Credit risk generally arises when there is a decline in the fair value of the real property and such decline will make the fair value of the real property lower than the carrying amount of the receivables. Fair value of real properties is not expected to change abruptly. Hence, simplified approach is used for determining allowance for ECL for these receivables.

Simplified approach is also used for computing ECL based on lifetime ECL for trade and other receivables, other than those arising from sale of real estate, since these are generally short term in nature.

General approach is used for receivables other than those arising from sale of real estate. ECL for these receivables is measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. The Group does not track changes in credit risk for receivables arising from sale of real estate.

Management believes that there are no indications that its trade and other receivables and advances to a related party are impaired as at March 31, 2019 and December 31, 2018. The management likewise assessed that there is no increase in credit risk for receivables other than those arising from real estate for the periods ended March 31, 2019 and December 31, 2018.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires estimation of the value of CGU to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Management believes that there are no indications that the goodwill is impaired as at March 31, 2019 and December 31, 2018.

(d) Impairment of non-financial assets other than inventories

Management is required to perform test of impairment when impairment indicators are present. Property, plant and equipment and investment properties (see Notes 10, 11 and 12) are periodically reviewed to determine any indications of impairment. Management is required to make estimates to determine future cash flows to be generated from the continued use and ultimate disposition of these assets in order to determine the value in use. Though the management believes that the estimates and assumptions used in the determination of recoverable amounts are reasonable and appropriate, significant changes in these assumptions may materially affect the assessment of the recoverable amounts and any resulting impairment loss could have a material adverse effect in the results of operations.

Management believes that there are no indications that its inventories, real estate projects, property, plant and equipment and investment properties are impaired.

(e) Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment.

(f) Determining the timing of satisfaction of sale of memorial lots, subdivision lots and office units

The Group concluded that revenues from sales of memorial lots, subdivision lots and office units are recognized at a point in time when control of the asset is transferred to the customer. For sale of memorial lots, control is generally transferred when lots are allowed to be used for burial which is upon 100% payment of purchase of lawn lot and upon 50% payment of family estate. For sale of subdivision lots and office units, control is transferred upon turnover to the buyer.

(g) Operating lease

Group as lessor

The Group has entered into commercial property leases as lessor on its investment properties. The Group has determined that it retains all significant risks and rewards of ownership of these properties as the Group considered among others the length of the lease term as compared with the estimated useful life of the assets. Accordingly, the Group accounted for these as operating leases.

Group as lessee

The Group has entered into various lease agreements as lessee. The Group classified the lease as operating lease, since the Group believes that the lessor does not transfer substantially all the risks and benefits on the ownership of the assets.

(h) Income taxes

Significant judgment is required in determining the provision for income taxes. Recognition of deferred income taxes depends on management's assessment of the probability of available future taxable income against which the temporary difference can be applied. Realization of future tax benefit related to the deferred tax assets is dependent on many factors, including the Group's ability to generate taxable income during the periods in which those temporary differences are expected to be recovered. Management has considered these factors in reaching its conclusion to provide a full valuation allowance on deferred tax assets in as much as management assessed that the carry forward benefit is not realizable in the near future.

<u>Significant accounting estimates and assumptions</u>

(a) Impairment of trade and other receivables

The loss allowances for trade and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

The carrying amount of the Group's trade and other receivables amounted to ₱378.85 million and ₱358.10 million at March 31, 2019 and December 31, 2018, respectively. Allowance for ECL recognized in the consolidated statements of financial position amounted to nil as at March 31, 2019 and December 31, 2018, respectively (see Note 6).

In 2018, the Company reversed all of its allowance for ECL. It is the management's judgment that all of its trade and other receivables will be collectible based on, among others, its historical credit experience with its debtors, the future economic conditions, and laws governing real estate sales.

(b) Determining the NRV of inventories

In determining the NRV of inventories, the management takes into account the most reliable evidence available at the time the estimates are made. Prices are affected by both internal and external factors that may cause inventory obsolescence. These factors may cause significant adjustment to the Group's inventories within the next reporting period.

The carrying amount of the Group's inventories which are carried at cost as at March 31, 2019 and December 31, 2018 amounted to ₱950.25 million and ₱1.07 billion, respectively (see Note 7). The carrying amount of the Group's real estate projects which are also carried at cost as at March 31, 2019 and December 31, 2018 amounted to ₱807.91 million and ₱816.04 million (see Note 8).

(c) *Estimating the useful lives of property, plant and equipment except land*

The Group estimates the useful lives of its property, plant and equipment, except land, based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed and updated, if expectations differ from previous estimates due to physical wear and tear. The estimation of the useful lives of property, plant and equipment is based on a collective assessment of industry practice and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase recorded operating expenses and decrease noncurrent assets.

As at March 31, 2019 and December 31, 2018, the carrying amounts of property, plant and equipment, net of accumulated depreciation of ₱4.55 billion and ₱4.46 billion, amounted to ₱7.10 billion and ₱6.99 billion, respectively (see Notes 10 and 11).

(d) *Retirement benefits obligation*

The present value of the retirement benefits obligation depends on a number of factors that are determined on an actuarial basis using the number of assumptions. The assumptions used in determining the retirement benefit expense include the discount rate and salary increase rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefits obligation. In determining the appropriate discount rate, the Group considers the interest rates of government bonds and has terms of maturity approximating the terms of the related retirements benefit obligation.

Other key assumptions for retirement benefits obligation are based in part on current market conditions.

The carrying amount of the Group's retirement benefits obligation amounted to ₱125.02 million and ₱117.25 million as at March 31, 2019 and December 31, 2018, respectively (see Note 27).

(e) *Recognition and realizability of deferred tax assets*

Deferred tax assets are recognized for all unused tax losses and future tax credits. At end of the reporting period, the Group reviews its deferred tax assets and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on industry trends and projected performance in assessing the sufficiency of taxable income.

As at March 31, 2019 and December 31, 2018, the Group recognized deferred tax assets amounting to ₱37.60 million and ₱35.17 million, respectively.

4. CASH

This account as at March 31, 2019 and December 31, 2018 consists of:

	2019	2018
Cash on hand	**₱75,003,816**	₱78,764,807
Cash in banks	**731,525,290**	770,081,532
	₱806,529,106	₱848,846,339

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from bank deposits is disclosed as part of the Other income (net) account in the consolidated statements of comprehensive income in the amount of ₱168,709 and ₱146,589 for the periods ended March 31, 2019 and 2018, respectively (see Note 25).

There are no legal restrictions on the Group's cash as at March 31, 2019 and December 31, 2018.

5. FINANCIAL ASSETS AT FVPL

The movement of the account is as follows:

	2019	2018
Cost		
Balance at beginning of period	**₱741,730,894**	₱619,653,819
Additions	**2,692,561**	896,370,802
Disposals	**(16,038,249)**	(774,293,727)
	728,385,206	741,730,894
Fair value gain	**93,372,415**	63,605,754
Balance at end of period	**₱821,757,621**	₱805,336,648

The movement of the fair value gain is as follows:

	2019	2018
Balance at beginning of period	**₱63,605,754**	₱110,626,583
Fair value gain (loss) during the period	**29,766,661**	(47,020,829)
Balance at end of period	**₱93,372,415**	₱63,605,754

This consists of equity securities from various listed companies in the Philippines. The fair values of these securities have been determined directly by reference to published prices quoted in the active market at the end of the reporting period.

Proceeds from the sale of the Group's financial assets at FVPL for the periods ended March 31, 2019 and 2018 amounted to ₱17.39 million and ₱74.89 million, which resulted to gain on sale of ₱1.35 million and ₱12.02 million, respectively, and is presented under Other income (net) in the consolidated statements of comprehensive income (see Note 25).

Dividend income earned from financial assets at FVPL is presented under Other income (net) in the consolidated statements of comprehensive income amounting to ₱9.98 million and ₱11.24 million for the periods ended March 31, 2019 and 2018, respectively (see Note 25).

6. TRADE AND OTHER RECEIVABLES (NET)

This account as at March 31, 2019 and December 31, 2018 consists of:

	2019	2018
Trade	**₱216,002,522**	₱194,548,686
Receivables from memorial lot owners	**46,499,255**	46,499,255
Advances to officers and employees	**39,604,337**	31,795,251
Advances to contractors and suppliers	**27,986,575**	22,348,525
Refundable deposits	**16,208,228**	10,451,294
Others	**32,546,534**	52,454,745
	378,847,451	358,097,756
Less: Allowance for ECL	**-**	-
	₱378,847,451	₱358,097,756

Trade receivables arising from sale of LPG and industrial gases are usually due within thirty (30) to one hundred twenty (120) days and do not bear any interest. Trade receivables arising from sale of memorial lots, subdivision lots and office units are paid on a monthly basis with various terms ranging from one (1) to five (5) years.

Receivables from memorial lot owners pertain to advance payment made by the Group for the maintenance and upkeep of sold memorial lots which are reimbursable from the memorial lot owners.

Advances to officers and employees are, in general, non-interest bearing and collectible through salary deductions except car plans. The car plans offered to officers and employees bear interest up to 24% per annum with repayment terms.

Advances to contractors and suppliers pertain to advance payments made to suppliers and contractors for the development of real estate projects and acquisition of property, plant and equipment which will be subsequently reclassified to property, plant and equipment once the title has been transferred to the Group.

Refundable deposits mainly represent bonds paid to various suppliers.

Others mainly consists of receivable from sale of land, sale of financial assets at FVPL and payments made to Homeowner's Association subject for reimbursement with subdivision lot owners.

The details and movements in the allowance for ECL are as follows:

	2019	2018
Balance at beginning of period	**₱-**	₱30,589,742
Reversal of allowance for ECL	**-**	(30,589,742)
Balance at end of period	**₱-**	₱-

The allowance in prior years that were subsequently collected pertains to long outstanding trade receivables, that were provided 100% loss rate based on the Group's internal policy.

The Group is not expected to have similar transactions with the same customers in the future.

There are no receivables that are neither past due nor impaired that have been negotiated as at March 31, 2019 and December 31, 2018.

7. INVENTORIES

This account as at March 31, 2019 and December 31, 2018 consists of:

	2019	2018
Finished goods		
LPG, cylinders, stoves and accessories	**₱832,278,344**	₱870,404,756
Industrial gases	**12,525,165**	12,443,295
Pharmaceutical products	**5,833,749**	8,009,709
	850,637,258	890,857,760
In-transit LPG	**-**	68,510,168
Material and supplies	**90,404,778**	99,273,973
Raw materials	**9,209,242**	13,428,804
	₱950,251,278	₱1,072,070,705

Inventories are stated at cost. In-transit LPG pertains to LPG inventories that are under the cost, insurance and freight (CIF) shipping term. The title and risk of loss shall pass to the Group on delivery of the goods to the carrier. As at December 31, 2018, in transit LPG inventories are on board the carrier heading towards the Philippines marine fed terminal for customs clearance.

The Group's inventories are carried at cost, which is lower than the net realizable value.

There are no inventories pledged as security for liabilities as at March 31, 2019 and December 31, 2018.

Inventories charged to cost of sales for the periods ended March 31, 2019 and 2018 are as follows (see Note 22):

	2019	2018
LPG, cylinders, stoves and accessories	**₱1,864,439,573**	₱1,742,309,153
Industrial gases	**56,221,121**	53,547,723
Pharmaceutical products	**9,465,729**	7,441,526
	₱1,930,126,423	₱1,803,298,402

8. REAL ESTATE PROJECTS

Real estate projects as at March 31, 2019 and December 31, 2018 consist of:

	2019	2018
Memorial park lots	**₱435,401,142**	₱438,357,153
Subdivision lots	**102,853,770**	102,853,770
Office units	**52,165,103**	57,662,892
Land held for future development	**217,493,797**	217,163,207
	₱807,913,812	₱816,037,022

The real estate projects are stated at cost which is lower than NRV.

As at March 31, 2019 and December 31, 2018, there is no real estate project pledged as security for liabilities and no restriction on title had been imposed. No contractual commitments have been entered into by the Group for acquisition of any properties related to real estate projects.

The cost of real estate projects recognized as cost of sales in the Group's consolidated statements of comprehensive income amounted to ₱9.65 million and ₱4.5 million for the periods ended March 31, 2019 and 2018, respectively (see Note 22).

9. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	2019	2018
Prepayments		
Rent	**₱28,365,838**	₱25,415,357
Taxes and licenses	**14,390,291**	12,055,274
Insurance	**5,658,202**	7,924,419
Maintenance	**-**	655,617
Input VAT, net	**45,086,608**	21,870,857
Deferred charges	**2,953,842**	1,061,630
Others	**7,080,098**	6,002,270
	₱103,534,879	₱74,985,424

Prepaid taxes and licenses represent advance payment of business taxes for the succeeding year.

Prepaid insurance pertains to the portion of the insurance premium that has been paid in advance and has not been expired.

Prepaid maintenance pertains to maintenance costs paid in advance for the requalification procedures on LPG bulk tanks and other machinery.

Input VAT represents the taxes paid on purchases of goods and services which can be recovered as tax credit against future output VAT liability of the Company.

Others include advances to suppliers, terminal refilling and other plant repairs that are amortized within one (1) year.

10. PROPERTY, PLANT AND EQUIPMENT AT REVALUED AMOUNTS (NET)

Reconciliation of the carrying amounts as at March 31, 2019 and December 31, 2018 and the gross carrying amounts and the accumulated depreciation of revalued property, plant and equipment are as follows:

March 31, 2019

	Net carrying amounts, January 1, 2019	**Additions**	**Depreciation**	**Reclassification**	**Disposals**	**Net carrying amounts, March 31,2019**
Land and land improvements	**₱1,544,797,277**	**₱-**	**(₱303,403)**	**₱-**	**₱-**	**₱1,544,493,875**
Buildings and structures	**955,029,034**	**32,750,535**	**(20,355,741)**	**306,760,480**	**-**	**1,274,184,307**
Machinery and equipment	**2,355,313,601**	**66,953,210**	**(37,845,241)**	**(306,760,480)**	**-**	**2,077,661,091**
Oxygen and acetylene cylinders	**255,984,623**	**5,105,462**	**(7,493,920)**	**-**	**-**	**253,596,163**
Hotel and office equipment	**6,592,839**	**-**	**(409,250)**	**-**	**-**	**6,183,589**
	₱5,117,717,374	**₱104,809,207**	**(₱66,407,555)**	**₱-**	**₱-**	**₱5,156,119,025**

	Revalued cost	**Accumulated depreciation**	**Net carrying amounts, March 31, 2019**
Land and land improvements	**₱1,563,906,630**	**(₱19,412,755)**	**₱1,544,493,875**
Buildings and structures	**2,245,532,191**	**(971,347,884)**	**1,274,184,307**
Machinery and equipment	**4,077,865,772**	**(2,000,204,681)**	**2,077,661,091**
Oxygen and acetylene cylinders	**967,511,503**	**(713,915,340)**	**253,596,163**
Hotel and office equipment	**73,278,235**	**(67,094,646)**	**6,183,589**
	₱8,928,094,331	**(₱3,771,975,306)**	**₱5,156,119,025**

December 31, 2018

	Net carrying amounts, January 1, 2018	Additions	Depreciation	Reclassification	Disposals	Net carrying amounts, Dec. 31, 2018
Land and land improvements	₱1,475,127,433	₱73,691,244	(₱2,184,500)	₱-	(₱1,836,900)	₱1,544,797,277
Buildings and structures	852,641,430	19,791,850	(87,429,629)	170,025,383	-	955,029,034
Machinery and equipment	2,121,536,019	30,746,855	(136,606,095)	345,521,469	(5,884,647)	2,355,313,601
Oxygen and acetylene cylinders	278,500,848	12,762,998	(31,036,040)	-	(4,243,183)	255,984,623
Hotel and office equipment	7,411,339	-	(818,500)	-	-	6,592,839
	₱4,735,217,069	₱136,992,947	(₱258,074,764)	₱515,546,852	(₱11,964,730)	₱5,117,717,374

	Revalued cost	Accumulated depreciation	Net carrying amounts, December 31, 2018
Land and land improvements	₱1,563,906,629	(₱19,109,352)	₱1,544,797,277
Buildings and structures	1,563,090,727	(608,061,693)	955,029,034
Machinery and equipment	4,660,603,491	(2,305,289,890)	2,355,313,601
Oxygen and acetylene cylinders	962,406,041	(706,421,418)	255,984,623
Hotel and office equipment	73,278,235	(66,685,396)	6,592,839
	₱8,823,285,123	(₱3,705,567,749)	₱5,117,717,374

Depreciation charged to operations was allocated as follows:

	Mar. 31, 2019	Mar. 31, 2018
Cost of sales	**₱36,951,802**	₱53,210,612
Operating expenses	**29,455,753**	15,503,710
	₱66,407,555	₱68,714,322

The above depreciation includes depreciation on appraisal increase amounting to ₱29.74 million for the periods ended March 31, 2019 and 2018, which also represents transfer of realized portion of revaluation reserve to retained earnings.

The property, plant and equipment were appraised on various dates from June to September 2016 by an independent firm of appraiser based on the market value using the market data approach. The value of property, plant and equipment are based on sales, listings and market transactions between market participants at the measurement date.

As at March 31, 2019 and December 31, 2018, the revaluation reserve on the property, plant and equipment carried at revalued amount is ₱1.60 million and ₱1.62 million, respectively, which is presented under Other Comprehensive Income (see Note 26).

A portion of the Group's land with a carrying amount of ₱172.62 million is mortgaged to secure payment of short-term debt as at March 31, 2019 and December 31, 2018 (see Note 16). No contractual commitments have been entered into by the Group for acquisition of any property, plant and equipment.

11. PROPERTY, PLANT AND EQUIPMENT AT COST (NET)

Details of property, plant and equipment are as follow:

March 31, 2019

	Net carrying amounts, Jan. 1, 2019	Additions	Reclassification	Disposals	Depreciation	Net carrying amounts, Mar. 31, 2019
LPG plant, machinery and equipment	**₱165,152,679**	**₱3,972,930**	**₱-**	**₱-**	**(₱205,828)**	**₱168,919,781**
Machinery and equipment	**461,110,460**	**50,750,343**	**-**	**(82,040)**	**(6,251,464)**	**505,527,299**
Transportation equipment	**210,120,247**	**25,114,384**	**-**	**-**	**(13,792,022)**	**221,442,609**
Leasehold improvement	**377,259**	**-**	**-**	**-**	**(112,885)**	**264,373**
Furniture, fixtures and equipment	**32,768,939**	**11,926,240**	**-**	**-**	**(4,381,235)**	**40,313,944**
CIP	**1,000,572,220**	**5,919,512**	**-**	**-**	**-**	**1,006,491,732**
Building and structures	**5,762,052**	**-**	**-**	**-**	**(38,498)**	**5,723,555**
	₱1,875,863,856	**₱97,683,409**	**₱-**	**(₱82,040)**	**(₱24,781,932)**	**₱1,948,683,294**

	Cost	Accumulated depreciation	Net carrying amounts, Mar. 31, 2019
LPG plant machinery and equipment	**₱263,068,464**	**(₱94,148,683)**	**₱168,919,781**
Machinery and equipment	**715,218,475**	**(209,691,176)**	**505,527,299**
Transportation equipment	**559,366,504**	**(337,923,895)**	**221,442,609**
Leasehold improvement	**17,399,400**	**(17,135,027)**	**264,373**
Furniture, fixtures and equipment	**159,933,064**	**(119,619,120)**	**40,313,944**
Construction in progress	**1,006,491,732**	**-**	**1,006,491,732**
Building and structures	**9,239,474**	**(3,515,919)**	**5,723,555**
	₱2,730,717,113	**(₱782,033,820)**	**₱1,948,683,294**

December 31, 2018

	Net carrying amounts, Jan. 1, 2018	Additions	Reclassification	Disposals	Depreciation	Net carrying amounts, Dec. 31, 2018
LPG plant machinery and equipment	₱104,708,398	₱76,853,631	₱-	₱-	(₱16,409,350)	₱165,152,679
Machinery and equipment	468,928,321	42,786,761	-	(1,444,799)	(49,159,823)	461,110,460
Transportation equipment	78,076,797	173,344,903	-	(7,727,153)	(33,574,300)	210,120,247
Leasehold improvement	1,527,114	154,850	-	-	(1,304,705)	377,259
Furniture, fixtures and equipment	26,405,906	16,295,762	-	-	(9,932,729)	32,768,939
CIP	295,874,769	1,220,244,303	(515,546,852)	-	-	1,000,572,220
Building and structures	6,224,026	-	-	-	(461,974)	5,762,052
	₱981,745,331	₱1,529,680,210	(₱515,546,852)	(₱9,171,952)	(₱110,842,881)	₱1,875,863,856

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2018
LPG plant machinery and equipment	₱259,095,534	(₱93,942,855)	₱165,152,679
Machinery and equipment	664,588,906	(203,478,446)	461,110,460
Transportation equipment	534,252,100	(324,131,853)	210,120,247
Leasehold improvement	17,399,402	(17,022,143)	377,259
Furniture, fixtures and equipment	148,006,823	(115,237,884)	32,768,939
Construction in progress	1,000,572,220	-	1,000,572,220
Building and structures	9,239,473	(3,477,421)	5,762,052
	₱2,633,154,458	(₱757,290,602)	₱1,875,863,856

Depreciation charged to operations was allocated as follows:

	Mar. 31, 2019	Mar. 31, 2018
Cost of sales	**₱13,789,652**	₱ 12,641,600
Operating expenses	**10,992,280**	7,883,457
	₱24,781,932	₱ 20,525,057

CIP pertains mainly to construction contracts for the site construction and installation of various mounded cylindrical LPG tank storage.

For the period ended March 31, 2019, certain property, plant and equipment was disposed of for a total consideration of ₱251,407 resulting into a gain of ₱169,367. The gain on disposal was under Other income (net) in the consolidated statements of comprehensive income (see Note 25).

As at March 31, 2019 and December 31, 2018, there are no property, plant and equipment (at cost) pledged as security for liabilities and no restrictions on title had been imposed. No contractual commitments have been entered into by the Group for acquisition of any property, plant and equipment.

12. INVESTMENT PROPERTIES

This account consists of:

	2019	2018
Memorial lots	**₱78,470,747**	₱78,470,747
Land	**37,027,141**	37,027,141
	₱115,497,888	₱115,497,888

The movements of the investment properties as at March 31, 2019 and December 31, 2018 are as follows:

	2019	2018
Balance at beginning of period	**₱115,497,888**	₱115,497,888
Additions for the period	-	-
Balance at end of period	**₱115,497,888**	₱115,497,888

The memorial lots are located in various memorial parks owned and operated by the Parent Company in Mindanao. With the termination of the rehabilitation plan and PGI's intention to hold these assets for capital appreciation, the memorial lots have been reclassified to investment properties from previously classified as assets held for dacion en pago.

The land pertains to three (3) parcels of land located in Luzon, which were acquired in 2014. These parcels of land are held for lease by one of its subsidiaries.

As at March 31, 2019 and December 31, 2018, there are no investment properties pledged as security for liabilities and no restrictions on title had been imposed. No contractual commitments have been entered into by the Group for acquisition of any investment properties.

The fair value of the land is the same as its cost since the management believes that the fair value of the investment properties does not significantly change from the time of acquisition. The Group considers the carrying amount of the memorial lots to be a reasonable approximation of their fair values. The approximation is assessed by management based on the selling price of memorial lots by the Parent Company.

13. GOODWILL

Goodwill as at March 31, 2019 and December 31, 2018 mainly comprises the excess of the cost of acquiring the controlling shares of the subsidiaries over the fair value of the identifiable assets and liabilities acquired by the Parent Company.

	2019	2018
Attributable to:		
Investment in subsidiaries by Parent Company		
PGI	**₱76,377,066**	₱76,377,066
PPhI	**1,771,239**	1,771,239
	₱78,148,305	₱78,148,305

Acquisition of PGI

The recoverable amount of PGI's CGU was based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to cash flow projections of 8.0%. Cash flows beyond the five-year period are extrapolated using the steady growth rate of 1.0%. The carrying value of goodwill amounted to ₱76.38 million as at March 31, 2019 and December 31, 2018. No impairment loss was recognized for goodwill arising from the acquisition of PGI.

The calculations of value in use for the PGI's CGU are most sensitive to the following assumptions:

- Budgeted gross margin – The management determined budgeted gross margin based on past performance and its expectations for the market development.
- Growth rate – The projected growth rate is based on a conservative steady growth rate that does not exceed the compounded annual growth rate of the global LPG industry.
- Pre-tax discount rate – Discount rates reflect management's best estimate of the risks associated with the specific CGU. This is the benchmark rate used by management to measure operating performance.

On the assessment of the value in use of PGI, management believes that no reasonably possible change in any of the aforementioned assumptions would cause the carrying value of the CGU to exceed their recoverable amount.

In 2018, the Parent Company acquired from PGI's previous shareholder 8,500,000 shares for ₱15.98 million.

Acquisition of PPhI

On July 2, 2015, the Parent Company and its subsidiary, PGI, subscribed to 7.5 million and 1.495 million common shares of PPhI, respectively, at a subscription price of ₱1 per share for a total consideration of ₱7.50 million and ₱1.50 million, respectively. As a result of the subscription, the Parent Company owns 75% direct equity interest and 13.61% indirect equity interest (through PGI) in PPhI.

In 2018, by virtue of the Parent Company's acquisition of 8,500,000 shares from PGI's previous shareholder for ₱15.98 million, the Parent Company's indirect equity interest (through PGI) in PPhI increased from 13.61% to 13.66%.

The following table summarizes the consideration transferred for the fair value of the net assets acquired assumed at the acquisition date.

Net assets	₱7,638,348
Share of non-controlling shareholders	(1,909,587)
	5,728,761
Total consideration transferred	(7,500,000)
Goodwill	₱1,771,239

14. TRADE AND OTHER PAYABLES

This account as at March 31, 2019 and December 31, 2018 consists of:

	2019	2018
Accounts payable:		
Trade	**₱715,243,887**	₱769,587,784
Nontrade	**8,484,418**	6,706,034
Deposits for park internment services	**79,374,438**	99,642,455
Due to park maintenance fund	**23,698,606**	46,267,176
Accrued expenses	**28,182,536**	23,444,917
Cylinder deposits	**56,779,520**	23,223,845
Due to government agencies	**8,679,808**	22,404,405
Reserve fund liability	**6,076,395**	5,692,628
Deferred income	**-**	2,673,456
Others	**21,422,657**	21,495,560
	₱947,942,265	₱1,021,138,260

Trade payables pertains to amount due to supplier payable within 30 days from date of sale and do not bear interest.

Deposits for park interment services represent accumulated collections from memorial lot owners exclusively intended for future interment services.

Due to park maintenance fund represent contributions made by memorial lot owners for the upkeep and maintenance of the memorial cemetery.

Accrued expenses pertain to accrual of salaries and wages, utilities, maintenance and security agency fees.

Cylinder deposits pertain to deposits made by customers for its industrial gases and fifty (50) kg. LPG cylinders lent out by the Group.

Due to government agencies include SSS, HDMF and PHIC payable, withholding taxes and other taxes payable.

Reserve fund liability is a pool of funds contributed by the Group's officers to cover for future losses due to wrong decisions.

Deferred income pertains to interest related to the car plans offered by the Group to certain officers and employees.

15. CUSTOMERS' DEPOSITS

This account represents accumulated collections on memorial lots sold to customers but have not yet met the Group's specific revenue recognition criteria. Such deposits will be recognized as revenues when the revenue recognition criteria of the Group has been met.

The customers' deposits amounted to ₱91.84 million and ₱109.32 million as at March 31, 2019 and December 31, 2018, respectively.

16. SHORT-TERM DEBTS

Short-term debts consist of:

(a) PGI

In the first quarter of 2019, PGI obtained credit facilities amounting to ₱752 million from a commercial bank at an average interest rate of 4.50% with tenure of 120 days which will expire on various dates from May 23, 2019 to July 25, 2019. The short-term loan is secured by a real estate mortgage of the Group's industrial lot with a carrying amount of ₱172.62 million and an industrial lot of the subsidiary (see Note 10).

In February 2019, PGI obtained another credit facilities amounting to ₱100 million from another commercial bank at an average interest rate of 7.25% with tenure of 60 days. The short-term loan is unsecured.

In May 2018, PGI obtained credit facilities amounting to ₱993 million from a commercial bank with tenure of 180 days which will expire on February 28, 2019. The short-term loan is secured by a real estate mortgage of the Group's industrial lot with a carrying amount of ₱172.62 million and an industrial lot of the subsidiary (see Note 10).

In July 2018, PGI obtained another credit facilities amounting to ₱400 million from another commercial bank with tenure of 180 days. The short-term loan is unsecured.

The average interest rate on local borrowings for the period ended December 31, 2018 was 3.60%.

(b) OOC

In 2018, OOC obtained various short-term debts from local banks with an aggregate amount of ₱100 million at an average interest rate of 4.50% to 6.00% per annum. The outstanding balance of the short term loan amounted to ₱100 million as at December 31, 2018.

As at March 31, 2019 and December 31, 2018, the outstanding balance of short-term debts amounted to ₱852 million and ₱905.08 million, respectively. Total interest incurred charged to operations amounted to ₱9.91 million and ₱3.92 million for the periods ended March 31, 2019 and 2018, respectively (see Note 24).

17. CAPITAL STOCK

Details of this account are as follows:

	2019	2018
Common stock: ₱1 par value Authorized: 2,098,000,000 common shares	**₱2,098,000,000**	₱2,098,000,000
Subscribed, issued and fully paid: 2,024,500,000 shares	**₱2,024,500,000**	₱2,024,500,000

The Parent Company was incorporated on September 7, 1989 with an authorized capital stock of ₱1,000,000,000 divided into 600,000,000 shares of Class A common stock with the par value of

₱1.00 per share and 400,000,000 shares of Class B common stock with the par value of ₱1.00 per share. On March 30, 1990, it obtained the SEC's approval of the registration of its capital stock for sale to the public and on October 29, 1991, 150,000,000 of its Class 'A' shares were listed at the Makati Stock Exchange at the issue/offer price of ₱1.00 per share and 50,000,000 of its Class 'B' shares were likewise so listed at the same issue/offer price of ₱1.00 per share.

On March 21, 1994, the SEC approved the amendment of its Articles of Incorporation to consolidate Class B common stock with Class A common stock as the Group's authorized capital stock. Thus, the Parent Company's capital stock stood at ₱1 billion divided into 1,000,000,000 common shares with the par value of ₱1.00 per share.

On July 31, 1996, the SEC approved the increase of the capital stock of the Parent Company from ₱1 billion divided into 1,000,000,000 shares with the par value of ₱1.00 per share to ₱2 billion divided into 2,000,000,000 shares with the par value of ₱1.00 per share.

On December 13, 2017, the SEC approved the increase of the authorized capital stock of the Parent Company from ₱2 billion divided into 2,000,000,000 shares with the par value of ₱1 per share to ₱2.098 billion divided into 2,098,000,000 shares with the par value of ₱1.00 per share.

The Parent Company's shares are listed in the PSE. As at March 31, 2019 and December 31, 2018, the Parent Company's stock price amounted to ₱5.75 per share.

As at March 31, 2019 and December 31, 2018, the Parent Company has three hundred sixty (360) equity holders.

18. TREASURY STOCKS

In 2018, the BOD approved the common shares buy-back program under the following terms and conditions:

- The buy-back program shall be for a term of 24 months commencing on November 20, 2018 up to November 19, 2020.
- The Group shall be authorized to repurchase up to ₱500,000,000 worth of common shares.
- The buy-back program shall be executed in the open market through the trading facility of PSE.
- The buy-back program shall be implemented in an orderly manner and should not adversely affect the Group and its subsidiaries' prospective and existing projects.

As at March 31, 2019 and December 31, 2018, the Group has treasury stocks amounting to 8,068,900 shares and 1,145,600 shares with cost of ₱47.5 million and ₱6.27 million, respectively.

19. DIVIDEND DECLARATION

Parent Company's dividend declaration

In a special meeting held on December 14, 2018, the BOD declared cash dividends amounting to ₱242.71 million which is also equivalent to ₱0.12 per share to stockholders of record as of January 11, 2019 payable on February 4, 2019.

Likewise, in a special meeting held on June 7, 2018, the BOD declared cash dividends amounting to ₱242.94 million equivalent to ₱0.12 per share to stockholders of record as at June 25, 2018 payable on July 19, 2018.

Cash dividends declared in 2019 and 2018 are summarized below:

Date declared	Date paid	Dividend per share	**2019**	2018
June 7, 2018	July 19, 2018	₱0.12	**₱-**	₱242,940,000
December 14, 2018	February 4, 2019	0.12	**-**	242,709,696
			₱-	₱485,649,696

PGI's dividend declaration

At the special meeting of the BOD held on May 4, 2018, the Board approved distribution of a cash dividend to stockholders of record as of May 11, 2018 amounting to ₱280 million out of unrestricted retained earnings for cash dividends as of December 31, 2017.

At the special meeting of the BOD held on October 23, 2018, the Board approved distribution of a cash dividend to stockholders of record as of November 6, 2018 amounting to ₱280 million out of unrestricted retained earnings for cash dividends as of December 31, 2017.

Cash dividend declared in 2019 and 2018 are summarized below:

Date declared	Date paid	Dividend per share	**2019**	2018
May 4, 2018	May 18, 2018	₱0.10	**₱-**	₱280,000,000
October 23, 2018	November 12, 2018	0.10	**-**	280,000,000
			₱-	₱560,000,000

As at March 31, 2019 and December 31, 2018, outstanding dividends payable amounted to ₱7.41 million and ₱248.65 million, respectively.

20. RELATED PARTY TRANSACTIONS

The Group, in the normal course of business, has transactions with related parties. The following are the specific relationship, amount of transaction, account balances, the terms and conditions and the nature of the consideration to be provided in settlement.

	Amount of transaction		Outstanding receivable	
Relationship	**2019**	2018	**2019**	2018
Under common control				
Pryce Retirement Fund, Inc. (PRFI)	**(₱61,953)**	₱-	**₱67,598,751**	₱67,660,704
Pryce Plans, Inc. (PPI)	**5,184,134**	-	**5,184,134**	-
Pryce Development Corp. (PDC)	**9,647**	-	**9,647**	-
Hinundayan Holdings Corp (HHC)	**46,100**	-	**46,100**	-
Stockholders	**-**	-	**63,784,177**	63,784,177
	₱5,177,928	₱-	**₱136,622,809**	₱131,444,881

The Group has unsecured and non-interest bearing advances to related parties with no definite repayment terms and no guarantee. These advances are generally settled in cash.

No provision for impairment was recognized for advances to related parties in 2019 and 2018.

21. REVENUES

The details of this account are as follows:

a) LPG and industrial gases

	2019	2018
LPG, cylinders, stoves and accessories	**₱2,408,679,981**	₱ 2,210,406,092
Industrial gases	**110,905,328**	106,512,789
	₱2,519,585,309	₱ 2,316,918,881

b) Real estate

Revenue from sale of real estate amounted to ₱32.31 million and ₱24.74 million for the periods ended March 31, 2019 and 2018, respectively.

c) Pharmaceutical products

Revenue from sale of pharmaceutical products amounted to ₱13.52 million and ₱11.33 million for the periods ended March 31, 2019 and 2018, respectively.

22. COST OF SALES

a) Cost of sales on LPG and industrial gases for the year ended December 31 are as follows:

	2019	2018
LPG, cylinders, stoves and accessories	**₱1,864,439,573**	₱ 1,742,309,153
Industrial gases	**56,221,121**	53,547,723
	₱1,920,660,694	₱ 1,795,856,876

b) Cost of sales on real estate amounted to ₱9.65 million and ₱4.50 million for the periods ended March 31, 2019 and 2018, respectively. The cost of real estate recognized in the consolidated statements of comprehensive income on disposal is determined with reference to the specific costs incurred on the property sold.

c) Cost of sales on pharmaceutical products for the periods ended March 31 are as follows:

	2019	2018
Beginning inventory – note 7	**₱8,009,709**	₱ 5,686,286
Add: Purchases	**7,289,769**	6,605,198
Total good available for sale	**15,299,478**	12,291,484
Less: Ending inventory – note 7	**5,833,749**	4,849,958
	₱9,465,729	₱ 7,441,526

23. OPERATING EXPENSES

Operating expenses for the periods ended March 31 are as follows:

	2019	2018
Selling expenses	**₱111,704,428**	₱95,658,628
General and administrative expenses	**121,372,258**	108,816,096
	₱233,076,686	₱204,474,724

24. FINANCE COSTS

Finance costs for the periods ended March 31 are as follows:

	2019	2018
Short-term – note 16	**₱9,905,636**	₱ 3,924,208
Others	**29,947**	42,974
	₱9,935,583	₱ 3,967,182

25. OTHER INCOME (NET)

Other income (net) for the periods ended March 31 are as follows:

	2019	2018
Dividend income – note 5	**₱9,979,272**	₱11,237,618
Gain on sale of financial assets at FVPL – note 5	**1,349,496**	12,023,900
Sale of scrap and junked materials	**6,981,272**	10,600,576
Gain on sale of property, plant and equipment – note 11	**169,367**	-
Interest income from banks – note 4	**168,709**	146,589
Others	**-**	2,088,079
	₱18,648,116	₱36,096,762

26. OTHER COMPREHENSIVE INCOME

This account as at March 31, 2019 and December 31, 2018 consists of:

	2019	2018
Remeasurement gain on retirement benefits obligation		
At beginning of period	**₱20,848,377**	₱20,848,377
Remeasurement gain during the period	**-**	-
Effect of deferred income tax	**-**	-
At end of period	**20,848,377**	20,848,377
Revaluation reserves		
At beginning of period	**1,618,932,730**	1,702,210,318
Transfer of revaluation reserves deducted from operations through additional depreciation charges – note 10	**(29,741,994)**	(118,967,983)
Deferred income tax effect on revaluation reserves charged to operations through additional depreciation	**8,922,540**	35,690,395
At end of period	**1,598,113,276**	1,618,932,730
Total other comprehensive income	**₱1,618,961,653**	₱1,639,781,107

27. RETIREMENT BENEFITS OBLIGATION

The Group maintains a retirement benefits plan covering all employees on regular employment status. The plan is a funded noncontributory defined benefit plan that provides retirement benefits equal to the following: (a) 150% of monthly final salary for every year of service rendered for the first 20 years; (b) 175% of monthly final salary for every year of service rendered in excess of 20 years but not more than 25 years; and, (c) 200% of monthly final salary for every year of service rendered in excess of 25 years. The plans use the projected unit credit method of actuarial valuation in its retirement benefit cost computation.

Contributions and costs are determined in accordance with actuarial valuation made for the plan. The Group’s latest actuarial valuation is as at December 31, 2017.

For the determination of the retirement benefits obligation, the following actuarial assumptions were used:

	2019	2018
Discount rate	**5.70%**	5.70%
Expected salary increase rate	**7%**	7%

The discount rate, also called the zero yield curve, as at March 31, 2019 and December 31, 2018 was derived by applying the procedure of bootstrapping on the bonds included in the PHP BVAL rates and the PDST-R2 Index, projected as of the valuation date. Assumptions regarding mortality experience are based on 100% of the adjusted 1985 Unisex Annuity Table and 100% of the adjusted 1952 Disability Table reflecting experience improvement and Philippine experience.

28. SUBSEQUENT EVENT

At the special meeting of the PGI's BOD held on April 5, 2019, the PGI's BOD approved distribution of a cash dividend to PGI's stockholders of record as of April 19, 2019 amounting to ₱336 million out of unrestricted retained earnings for cash dividends as of December 31, 2018.

29. EARNINGS PER SHARE

Earnings per share are computed based on the weighted average number of common shares outstanding during the period.

	2019	2018
Net income attributable to the owners of the Parent Company	**₱ 333,296,923**	₱ 313,728,374
Weighted average number of common shares	**2,017,991,800**	2,024,500,000
	₱0.165	₱ 0.155

Weighted average number of common shares as at March 31, 2018 is the same as the Parent Company's outstanding number of shares as of the said period which is 2,024,500,000 shares. Weighted average number of common shares as at March 31, 2019 is computed as follows:

	Outstanding shares	Portion of period outstanding	Weighted average number of common shares
As at January 31, 2019	2,019,709,900	1/3	673,236,633
As at February 28, 2019	2,017,834,400	1/3	672,611,467
As at March 31, 2019	2,016,431,100	1/3	672,143,700
			2,017,991,800

30. ITH REGISTRATION WITH BOI

PGI is registered with the BOI and entitled to ITH exemptions provided under RA of 8479, otherwise known as the Downstream Oil Deregulation Act of 1998.

Registered activity	Industry Participant with New Investment in Storage, Marketing and distribution of Petroleum Products- San Fabian Pangasinan
Registered capacity	Three (3) tanks 5,700 MT fuel gross capacity or 2,100 MT gross capacity per tank
ITH entitlement period	01 January 2014 to 31 December 2018 (5 years)

Registered activity	Bulk Marketing of Petroleum (LPG) Products (New Investment Through the Construction of additional 2,000 MT Storage Capacity of the Albuera, Leyte LPG Terminal)
Registered capacity	2,000 MT
ITH entitlement period	01 February 2017 to 31 January 2022 (5 years)

Registered activity	Bulk Marketing of Petroleum (LPG) Products (New Investment Through the Construction of additional 1,200 MT Storage Capacity of Astorga, Davao del Sur LPG terminal)
Registered capacity	1,200 MT
ITH entitlement period	01 January 2018 to 31 December 2022 (5 years)

Registered activity	Bulk Marketing of Petroleum (LPG) Products (Sogod, Cebu LPG Terminal with additional 1,200 MT LPG Storage Tank Capacity)
Registered capacity	Additional 1,200 MT LPG Storage tank capacity
ITH entitlement period	01 June 2018 to 31 May 2023 (5 years)

Registered activity	Bulk Marketing of Petroleum (LPG) Products (Balingasag, Misamis Oriental LPG Terminal with additional 2,000 MT LPG Storage Tank Capacity)
Registered capacity	Additional 2,000 MT LPG Storage tank capacity
ITH entitlement period	01 June 2018 to 31 May 2023 (5 years)

As at December 31, 2018, five (5) of the LPG terminals and refilling plant operation is enjoying ITH. While income on other LPG terminal and refilling plant operations, upon which ITH has expired, is subject to MCIT of 2% based on gross profit when it is greater than the RCIT of 30% or when the Group has zero or negative taxable income. The excess of MCIT over RCIT shall be carried forward and credited against RCIT for the three immediately succeeding taxable years.

As at March 31, 2019 and December 31, 2018, the Group is in compliance with the terms and conditions set forth by BOI.

31. FAIR VALUE GAIN ON TRANSFERRED REAL ESTATE PROPERTIES THRU DACION EN PAGO COVERED BY THE REHABILITATION PLAN

In 2004, the Parent Company transferred real estate properties to PGI in exchange for PGI's shares of stock as capital equity contribution. The application for the increase in capital stock to ₱2.10 billion by PGI was approved by the SEC on June 30, 2004. Furthermore, the BIR issued a certification on November 5, 2004 and December 29, 2004 certifying the transferred real estate properties in exchange for shares of stock is a tax free exchange.

PGI recognized the transferred real estate properties from Parent Company based on the par value of its capital stock issued to the Parent Company, which is equivalent to the fair values of the real estate properties transferred based on Court Order issued by the Regional Trial Court.

The Parent Company recognized the real estate properties transferred to PGI as equity contribution at cost (carrying amount) instead of fair value of the asset given up as required under PFRS 3, *Business Combinations*. This was a case of an extremely rare circumstance in which management concludes that compliance with a requirement in PFRS would be so misleading that it would conflict with the objectives of consolidated financial statements set out in the Framework. Because of this circumstance, the management of the Parent Company reduced the perceived misleading aspects of compliance by complying with the following disclosures.

The Parent Company's management decided to use the carrying value (cost of the real estate properties transferred to PGI) mainly due to the following reasons:

i) Both the Parent Company and subsidiary are under rehabilitation and the basis for the measurement of the real estate properties transferred was based on Court Order by the Regional Trial Court handling the rehabilitation and not on the basis of the parties involved; and

ii) At the time of transfer, PGI's net asset carrying amounts was below the par value per share of its shares of stock due to its continued losses which resulted to a deficit amounting to ₱989.84 million as at December 31, 2004. The fair value recognition on the transfer of Parent Company's real estate properties to PGI in exchange of PGI's shares of stock in the Parent Company's books and records would result to:

    - Recognition of a substantial amount of unrealized fair value gain on real estate properties; and

    - Overvalued carrying amount of its investment in subsidiary (PGI) because of the continued losses incurred by PGI that reduces the net carrying amounts of PGI's net assets.

<u>PGI real estate properties transferred to creditors by way of dacion en pago covered by the rehabilitation plan</u>

In 2005 and 2004, PGI transferred significant portion of the above real estate properties to its creditors by way of dacion en pago based on fair values as determined in the Court Order issued by the Regional Trial Court on the rehabilitation plan of PGI. The difference between the fair value and cost (as reported in the books and records by the Parent Company) of these transferred properties amounted to ₱129 million in 2005 and ₱902 million in 2004 or an aggregate amount of ₱1.03 billion. Subsequent to 2005, there was no real estate properties of PGI transferred to creditors by way of dacion en pago.

The ₱1.03 billion as at March 31, 2019 and December 31, 2018 represents the net difference between the fair value and the related cost the Parent Company's real estate properties transferred to PGI creditors in settlement of its debts covered by the rehabilitation plan. This amount was arrived at in the elimination process of intercompany account balances and such difference was accounted for as Fair value gain on real estate properties account and presented under equity section in the consolidated statements of financial position.

Effect of Parent Company's recognition of real estate properties transferred to PGI at cost

Had the Parent Company applied the fair value method of accounting on the recognition of its transferred real estate properties to PGI, the fair value gain on real estate properties should have been recognized as income and would increase the consolidated retained earnings as at March 31, 2019 and December 31, 2018 by ₱1.03 billion.

32. OPERATING LEASE AGREEMENTS

The Group has entered in various operating lease agreements for its Visayas and Mindanao sales offices with various local companies for a period of one (1) year renewable thereafter upon mutual agreement of both parties.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and financing activities. The Group's risk management is in the BOD, and focuses on actively securing the Group's short-term to medium-term cash flows by transacting only with reputable third parties.

The Group's principal financial instruments are composed of cash, trade and other receivables (excluding advances to contractors and suppliers), financial assets at FVPL, trade and other payables (excluding deposit for internment services and due to government agencies), dividends payable and short-term debts. The main purpose of these financial instruments is to raise financing for the Group's operations. The Group has other financial instruments such as advances to related parties.

The Group is exposed to market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial instruments affected by market risk include debt and equity investments.

The Group's activities expose it primarily to the financial risks of changes in equity price.

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's financial instruments with a floating interest rate. Floating rate financial instruments are subject to cash flow interest rate risk. Re-pricing of floating rate financial instruments is done every quarter.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's borrowings (see Note 16). The impact on the Company's equity is immaterial.

	Increase (Decrease) in Basis Points	Effect in Income Before Tax	Effect in Equity After Tax
2019	**1.00**	**(₱85,200,375)**	**(₱59,640,263)**
	0.50	**(42,600,188)**	**(29,820,131)**
	(1.00)	**85,200,375**	**59,640,263**
	(0.50)	**42,600,188**	**29,820,131**
2018	1.00	(₱90,507,805)	(₱63,355,464)
	0.50	(45,253,903)	(31,677,732)
	(1.00)	90,507,805	63,355,464
	(0.50)	45,253,903	31,677,732

The following table sets out the carrying amounts, by maturity, of the Group's financial instruments as at March 31, 2019 and December 31, 2018 that are exposed to interest rate risks:

	Interest rates	Within 1 Year	Total
2019			
Variable rate			
Borrowings	4.50% to 7.25%	₱852,003,750	₱852,003,750
2018			
Variable rate			
Borrowings	3.60% to 4.50%	₱905,078,052	₱905,078,052

Equity price risk

Equity price risk is the risk that the fair value of equity investment decreases as the result of changes in the value of individual stocks. The Group's exposure to equity price risk arises from investments held by the Group and classified in the consolidated statements of financial position as at FVPL.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 5% higher/lower, income before income tax for the periods ended March 31, 2019 and December 31, 2018 would increase/decrease by ₱41.09 million and ₱40.27 million, respectively, as a result of the changes in fair value of financial assets at FVPL. Equity as at March 31, 2019 and December 31, 2018 would increase/decrease by ₱28.76 million and ₱28.19 million, respectively.

Credit risk

Credit risk refers to the risk that counterparties will default on its contractual obligations resulting in financial loss to the Group.

Credit risk management

In order to minimize credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Before accepting any new customer, a dedicated team responsible for the determination of credit limits uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade receivables on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

Credit risk exposure

The Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements arises from the carrying amount financial assets recognized in the Group's consolidated statements of financial position.

In order to minimize credit risk, the Group has developed and maintained internal credit risk gradings to categorize exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

The ECL arising from Group's receivables from sale of real estate is determined using the simplified approach and calculates ECL based on lifetime ECL. The Group does not track changes in credit risk, but instead recognizes loss allowance based on lifetime ECL at each reporting date.

For receivables other than those from sale of real estate, the Group's current credit risk grading framework is as follows:

Category	Description	Basis for recognizing ECL	Stage
Performing	The counterparty has a low risk of default and does not have any past due amounts	12-month ECL	1
Doubtful	Amount is 120 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired	2
In default	Amount is 120 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	3
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	3

Generally, the maximum credit risk exposure of financial assets is the carrying amount of financial assets as shown in the face of consolidated statements of financial position.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet operating capital requirements. The Group aims to maintain flexibility in funding through an efficient collection of its receivables and from the continuous financial assistance extended by its related parties in the form of loans and advances.

34. CAPITAL RISK OBJECTIVE AND MANAGEMENT

The primary objective of the Group's management is to ensure that it maintains a strong credit rating 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 the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The capital that the Group manages includes all components of its equity as shown in the consolidated statements of financial position.

The Group monitors its capital gearing by measuring the ratio of interest-bearing debt to total capital and net interest-bearing debt to total capital. Interest-bearing debt includes all short term and long term debt while net interest-bearing debt includes all short-term and long-term debt net of cash and financial assets at FVPL.

The equity ratios as at March 31, 2019 and December 31, 2018 are as follows:

	2019	2018
Total equity (a)	**₱8,427,220,265**	₱8,097,198,244
Total assets (b)	**11,341,507,352**	11,329,220,415
Equity ratio (a/b)	**74%**	71%

The Group is not subject to any externally imposed capital requirements.

35. FAIR VALUE INFORMATION

Assets measured at fair value

The following table gives information about how the fair values of the Group's assets, which are measured at fair value as at March 31, 2019 and December 31, 2018, are determined in particular, the valuation technique(s) and inputs used.

	2019	2018	Fair value hierarchy	Valuation technique
Financial assets at FVPL	**₱821,757,621**	₱805,336,648	Level 1	Quoted prices in an active market

Fair value of financial assets at FVPL is measured at quoted prices in an active market.

Assets and liabilities not measured at fair value

The following financial assets and liabilities as at March 31, 2019 and December 31, 2018 are not measured at fair value on recurring basis but the fair value disclosure is required:

	2019		2018			
	Fair Value	**Carrying value**	Fair value	Carrying value	Fair value hierarchy	Valuation technique
Financial asset						
Advances to related parties	**₱115,533,179**	**₱136,622,809**	₱107,370,410	₱131,444,881	Level 3	(b)
Non-financial asset						
Investment Properties	**115,497,888**	**115,497,888**	115,497,888	115,497,888	Level 2	(a)
	₱231,031,067	**₱252,120,697**	₱222,868,298	₱246,942,769		

(a) The fair value is determined by applying the market comparison approach. The valuation model is based on the market price of comparable real estate properties in the area in which the Group's investment properties are located.

(b) Advances to related parties

Significant unobservable input	Relationship of unobservable inputs to fair value
Discounted cash flows of zero-rated liabilities from related parties determined by reference to prevailing market lending rate of 5.748% in 2019 and 6.976% in 2018	The higher the discount rate, the lower the fair value.

The carrying amounts of cash, trade and other receivables, trade and other payables and dividends payable approximate their fair values due to the short-term maturities of these financial instruments.

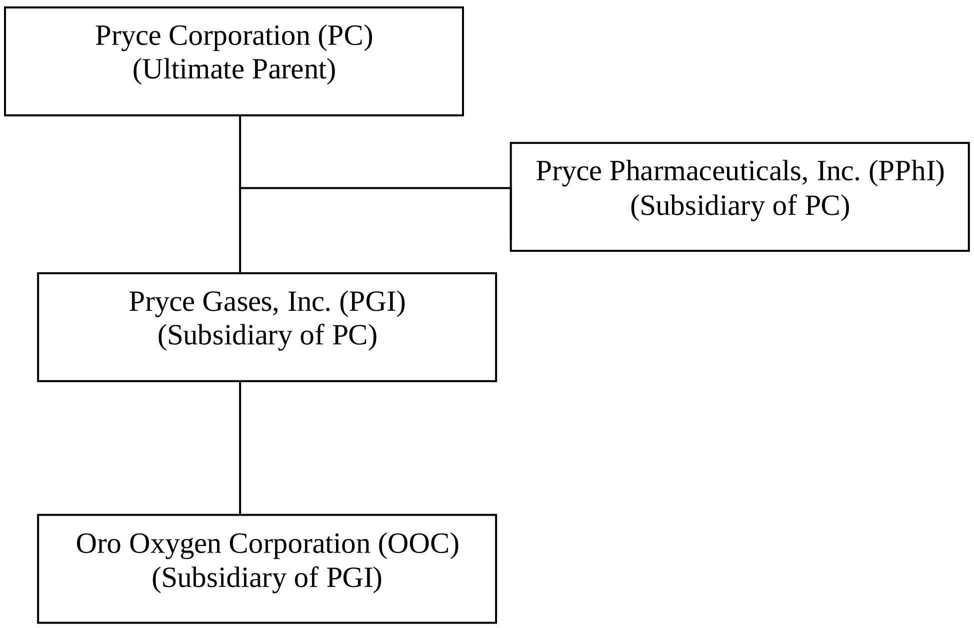
* * *

PRYCE CORPORATION AND SUBSIDIARIES
ANNEX "A" - FINANCIAL SOUNDNESS

	Jan to Mar 2019	Jan to Mar 2018
Profitability ratios :		
Return on assets	**3.89%**	4.07%
Return on equity	**5.63%**	5.69%
Net profit margin	**16.80%**	16.75%

	Mar. 31 2019	Dec. 31 2018
Solvency and liquidity ratios:		
Current ratio	**1.856**	1.656
Debt to equity ratio	**0.365**	0.421
Financial leverage ratio:		
Asset to equity ratio	**1.421**	1.475
Debt to asset ratio	**0.257**	0.285
Interest rate coverage ratio	**44.384**	51.290

PRYCE CORPORATION AND SUBSIDIARIES
ANNEX “B” – MAP OF CONGLOMERATE OR GROUP
OF COMPANIES WITHIN WHICH THE COMPANY BELONGS
MARCH 31, 2019



ANNEX C

PRYCE CORPORATION AND SUBSIDIARIES
MARCH 31, 2019

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2019		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✔		
PFRSs Practice Statement Management Commentary				✔
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✔
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✔
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✔
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✔
	Amendments to PFRS 1: Government Loans			✔
PFRS 2	Share-based Payment			✔
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✔
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✔
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✔
PFRS 3 (Revised)	Business Combinations	✔		
PFRS 4	Insurance Contracts			✔
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✔
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✔
PFRS 6	Exploration for and Evaluation of Mineral Resources			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2019		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✔		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✔		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✔		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✔		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✔		
PFRS 8	Operating Segments	✔		
PFRS 9 (2014)	Financial Instruments	✔		
PFRS 10	Consolidated Financial Statements	✔		
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance	✔		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✔
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✔
PFRS 11	Joint Arrangements			✔
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✔
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✔
PFRS 12	Disclosure of Interests in Other Entities	✔		
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✔
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✔
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✔
PFRS 13	Fair Value Measurement	✔		
PFRS 14	Regulatory Deferral Accounts			✔
PFRS 15	Revenue from Contracts with Customers	✔		
	Amendments to PFRS 15: Clarifications to PFRS 15	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2019		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✔
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✔		
	Amendments to PAS 1: Disclosure Initiative	✔		
PAS 2	Inventories	✔		
PAS 7	Statement of Cash Flows	✔		
	Amendments to PAS 7: Disclosure Initiative	✔		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✔		
PAS 10	Events after the Reporting Period	✔		
PAS 12	Income Taxes	✔		
	Amendments to PAS 12: Deferred Tax: Recovery of Underlying Assets	✔		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✔		
PAS 16	Property, Plant and Equipment	✔		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✔		
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✔
PAS 17	Leases	✔		
PAS 19 (Revised)	Employee Benefits	✔		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✔		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✔
PAS 21	The Effects of Changes in Foreign Exchange Rates	✔		
	Amendment: Net Investment in a Foreign Operation			✔
PAS 23 (Revised)	Borrowing Costs	✔		
PAS 24 (Revised)	Related Party Disclosures	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2019		Adopted	Not Adopted	Not Applicable
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✔
PAS 27 (Amended)	Separate Financial Statements			✔
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✔
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✔
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✔
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✔
PAS 29	Financial Reporting in Hyperinflationary Economies			✔
PAS 32	Financial Instruments: Presentation	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✔
	Amendment to PAS 32: Classification of Rights Issues			✔
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✔		
PAS 33	Earnings per Share	✔		
PAS 34	Interim Financial Reporting			✔
PAS 36	Impairment of Assets	✔		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✔		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✔		
PAS 38	Intangible Assets			✔
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✔		
PAS 40	Investment Property	✔		
	Amendments to PAS 40: Transfers of Investment Property			✔
PAS 41	Agriculture			✔
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✔
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2019		Adopted	Not Adopted	Not Applicable
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✔
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✔		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✔
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✔
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✔
IFRIC 10	Interim Financial Reporting and Impairment			✔
IFRIC 12	Service Concession Arrangements			✔
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✔
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✔
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✔
IFRIC 17	Distributions of Non-cash Assets to Owners			✔
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✔
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✔
IFRIC 21	Levies			✔
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✔
SIC-7	Introduction of the Euro			✔
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-15	Operating Leases – Incentives			✔
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✔
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✔		
SIC-29	Service Concession Arrangements: Disclosures			✔
SIC-32	Intangible Assets - Web Site Costs			✔

Not Applicable – Standards and interpretations that are effective as at January 1, 2018 but will never be applicable to the Company due to the nature of its operations or not relevant to the Company because there are currently no related transactions.

Not Adopted – Standards and interpretations that are already issued but are not effective for the year ended December 31, 2018 and were not early adopted by the Company.

Please refer to Note 2 to the financial statements for related discussion on the assessed impact on the Company's financial statements on the adoption of new standards and interpretations effective in 2018 and onwards.

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE A – FINANCIAL ASSETS
MARCH 31, 2019

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end of reporting period	Income received and accrued
DM Wenceslao	20,000	₱ 232,000	₱ 232,000	₱ -
First Philippine Holdings	1,381,645	93,986,964	93,986,964	
Ginebra San Miguel	5,346,945	154,054,322	154,054,322	
Global-Estate Resort, Inc,	94,571,000	113,407,750	113,407,750	
San Miguel Series 2-B Preference	490,170	36,762,750	36,762,750	
San Miguel Series 2-C Preference	4,318,400	327,766,560	327,766,560	
San Miguel Sub Series 2-D Preference	124,650	8,912,475	8,912,475	
San Miguel Sub Series 2-E Preference	271,250	19,530,000	19,530,000	
San Miguel Sub Series 2-F Preference	212,630	15,649,568	15,649,568	
San Miguel Sub Series 2-G Preference	170,000	12,410,000	12,410,000	
San Miguel Sub. Series 2-I Preference	180,030	13,412,235	13,412,235	
Top Frontier	98,214	25,632,997	25,632,997	
Total	107,184,934	₱ 821,757,621	₱ 821,757,621	₱ -

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE B - ACCOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS AND EMPLOYEES
RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
FOR THE PERIOD ENDED MARCH 31, 2019

	Name of Debtor	Debtor designation	Balance at beginning of the period	Additions	Amount Collected	Current	Non current	Balance at end of the period
1 .	Deguit, Ethelbert	Officer	1,671,880	1,007,000	1,053,467	1,240,398	385,015	1,625,413
2 .	Demetrio, Yvonne	Staff	-	1,484,534	62,682	1,421,852		1,421,852
3 .	Cuady IV, Julius	Staff	-	1,238,930	37,603	1,201,327		1,201,327
4 .	Sarraga, Darwin	Officer	-	1,048,024	257,330	163,977	626,717	790,694
5 .	Avila, Manuel	Officer	647,279	-	32,364	97,092	517,823	614,915
6 .	Simba, Francisco	Officer	238,549	2,777,901	2,405,372	611,079		611,079
7 .	Espino, Ethel	Officer	624,869	25,702	41,745	145,561	463,265	608,826
8 .	Eco, Servillano Jr.	Officer	666,899	37,313	113,963	214,827	375,422	590,249
9 .	Sangalang, Alexander	Staff	-	880,334	291,063	589,271		589,271
10 .	Sumillano, Jeremy Riel	Officer	403,087	1,456,317	1,301,838	410,090	147,476	557,566
11 .	Lagunay, Jose Jr.	Officer	510,241	85,688	67,148	227,438	301,343	528,781
12 .	Seguritan, Rolly	Staff	-	494,158	4,204	489,954		489,954
13 .	Veloso, Rolando	Officer	479,265	2,400	-	159,667	321,998	481,665
14 .	Paasa, Christy Ann	Staff	495,768	-	42,837	155,347	297,584	452,931
15 .	Pingli, Allian	Officer	382,109	73,100	20,570	434,639		434,639
16 .	Ascaño, Mark Alf	Officer	406,979	-	21,576	57,448	327,955	385,403
17 .	Villegas, Franz Jonas	Officer	375,425	7,000	40,837	134,458	207,130	341,588
18 .	Layug, Sonny	Staff	-	610,989	274,229	336,760		336,760
19 .	Rueda, Ramil	Staff	-	334,452	4,259	330,193		330,193
20 .	Pacheco, Ariel	Staff	-	341,689	58,704	282,986		282,986
21 .	Golpe Jr., Bonifacio	Staff	-	290,760	8,318	282,442		282,442
22 .	Luzano, Jun Ray	Staff	-	599,815	326,656	273,159		273,159
23 .	Samaco, Wilson	Staff	-	260,496	9,199	251,297		251,297
24 .	Isidro, Joy	Officer	158,343	405,318	335,416	228,244		228,244
25 .	Teves, Alfredo	Staff	-	230,753	4,802	225,951		225,951
26 .	Dancel, Francisco	Staff	-	222,709	859	221,851		221,851
27 .	Pongos, Zachary	Officer	179,128	49,424	12,300	216,252		216,252
28 .	Baco, Michael	Staff	133,093	103,470	25,758	210,805		210,805
29 .	Pineda, Editha	Staff	-	210,477	4,204	206,273		206,273
30 .	Del Rosario, Daisy	Staff	195,862	8,853	12,780	191,936		191,936
31 .	Alviar, Bernardo	Staff	-	1,461,309	1,276,757	184,552		184,552
32 .	Dagalea, Dennis	Staff	-	183,000	-	183,000		183,000
33 .	Competente, Roque	Officer	219,411	6,000	43,837	129,792	51,783	181,575
34 .	Mameng, Edenor	Staff	-	188,151	8,704	179,447		179,447
35 .	Cabello, Joy	Staff	-	181,600	5,257	176,342		176,342
36 .	Aquino, Romulo	Staff	-	191,115	35,891	155,224		155,224
37 .	Melendez, Archie	Staff	-	157,356	4,204	153,152		153,152
38 .	Bonilla, Gidion	Staff	182,565	-	35,705	146,860		146,860
39 .	Villalobos, Randy	Staff	145,726	397,800	399,471	144,055		144,055
40 .	Padilla, Ailyn	Staff	-	153,449	11,704	141,745		141,745
41 .	Escaño, Rafael	Officer	256,657	79,155	194,178	141,635		141,635
42 .	Olayvar, Rico	Officer	150,064	740	11,650	139,154		139,154
43 .	Enalisan, Patricia	Staff	-	135,000	-	135,000		135,000
44 .	Various Employees	Staff	23,272,052	2,194,559	2,908,318	13,884,561	8,673,732	22,558,293
	TOTAL		**31,795,251**	**19,616,841**	**11,807,755**	**26,907,094**	**12,697,243**	**39,604,337**

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
MARCH 31, 2019

Name and designation of creditor	Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
Pryce Gases, Inc.	Oro Oxygen Corporation	171,498,383	-	19,859,859	-	-	151,638,524	151,638,524
Pryce Gases, Inc.	Pryce Corporation	80,600,000	76,880,183	-	-	-	157,480,183	157,480,183
Pryce Corporation	Pryce Gases, Inc.	250,000,000	-	250,000,000	-	-	-	-
Pryce Gases, Inc.	Pryce Pharmaceuticals, Inc.	1,971,291	131,053	-	-	-	2,102,344	2,102,344
		504,069,674	77,011,236	269,859,859	-	-	311,221,051	311,221,051

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE D – INTANGIBLE ASSETS - OTHER ASSETS
MARCH 31, 2019

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
Goodwill	P 78,148,305	P –	P –	P –	P –	P 78,148,305

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE E – LONG TERM DEBT
MARCH 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 statement of financial position	Amount shown under caption “Long-term debt” in the related statement of financial position
-N I L-	Not Applicable		

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED COMPANIES)
MARCH 31, 2019

Name of related party	Balance at beginning of period	Balance at end of period
-N I L-	Not Applicable	Not Applicable

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE G – GUARANTEES OF SECURITIES OF OTHER ISSUERS
MARCH 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
-N I L-		Not Applicable		

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCK
MARCH 31, 2019

Title of issue	Number of shares authorized	Number of shares subscribed and outstanding	Number of shares reversed for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	2,098,000,000	2,016,431,100	–	460,173,464	60,369,115	1,495,888,521

PRYCE CORPORATION (Parent Company)
Aging of Accounts Receivable
As of March 31, 2019

Type of Accounts Receivable	**Total**	1-30 days	31-90 days	91-180 days	Over 180 days	1-2 Years	3-5 years	5 Years - above	Past due accounts
a. Trade Receivables									
1. Subdivision/Condo	**1,664,907**	406,888	484,109	503,227	270,683				
2. Low-cost housing	**1,273,218**	295,283	286,488	285,754	245,014	160,679			
3. Memorial Parks	**130,242,450**	18,157,960	19,270,476	21,230,205	23,524,571	23,668,916	24,390,321		
4. Head Office	**52,562**	52,562							
Totals	**133,233,137**	**18,912,693**	**20,041,073**	**22,019,186**	**24,040,268**	**23,829,595**	**24,390,321**	**-**	**-**
Less: Allow. For Doubtful Acct.									
Sub Total	***133,233,137***	***18,912,693***	***20,041,073***	***22,019,186***	***24,040,268***	***23,829,595***	***24,390,321***	**-**	**-**
b. Non-trade Receivables									
Advances to Officers & Employees	**5,197,910**	1,658,627	1,157,417	1,197,690	1,184,176				
Advances to Suppliers & Contractors	**1,381,131**	495,388	560,046	325,697					
Others	**2,980,879**	410,345	630,785	845,113	1,094,636				
Totals	**9,559,920**	**2,564,360**	**2,348,248**	**2,368,500**	**2,278,812**	**-**	**-**	**-**	**-**
Less: Allow. For Doubtful Acct.									-
Sub Total	***9,559,920***	***2,564,360***	***2,348,248***	***2,368,500***	***2,278,812***	**-**	**-**	**-**	**-**
Grand Total	***142,793,057***	***21,477,053***	***22,389,321***	***24,387,686***	***26,319,080***	***23,829,595***	***24,390,321***	**-**	**-**

Accounts Receivable Description

Type of Receivables	Nature/Description	Collection period
1. Installment Receivables	**Subdivision**	1-7 years
	Low cost housing	1-15 years
	Memorial parks	1-5 years
	Condominium Office	1-5 years
	Commercial lot	1-3 years
	Head Office	1-3 months