



January 22, 2021

Securities & Exchange Commission
Secretariat Bldg., PICC Complex
Roxas Blvd., Pasay City

Attention : **Hon. Director Vicente Graciano P. Felizmenio, Jr.**

Subject : **Amendment of Definitive Information Statement of
Pryce Corporation**

Gentlemen:

This refers to the Definitive Information Statement of Pryce Corporation (the "Company") which was submitted via email on January 13, 2021 before this Honorable Office.

Subsequently, on January 20, 2020, the management of Makati Shangri-La announced that it will temporarily shut down its operation starting February 1, 2021 due to financial pressures caused by the prolonged COVID-19 Pandemic. This was directly confirmed by the Company's contact person with Makati Shangri-La.

In view thereof, the Board of Directors of the Company resolved to change its venue to the **Rigodon Ballroom, The Peninsula Manila, corner of Ayala and Makati Avenues** so that it could proceed with its already scheduled Annual Stockholders' Meeting ("ASM") on February 5, 2021

As the Annual Stockholders' Meeting is scheduled on February 5, 2021, the Company has amended its Definitive Information Statement, but only with respect to the venue for the ASM.

Accordingly, we hereby submit the attached Amended Definitive Information Statement of the Company. Further, the following will be implemented: (i) *Notice ads, notifying the shareholders of the above-mentioned change of ASM venue (including all other details meeting date, time, agenda, record date, etc.) will be published in two (2) separate newspapers of general circulation on two (2) consecutive dates;* (ii) *the amended Information Statement (IS) will be released thru the facilities of the Philippine Stock Exchange;* (iii) *letters will be sent to the shareholders informing them of the change of venue for the ASM, the lone change in the Information Statement (IS) previously sent to them and that this IS can be viewed at/read from the Company's website (<http://www.pryce.com.ph>) and the PSE's Edge Portal website (<https://edge.pse.com.ph>).*

We trust that you will find the forgoing in order.

Respectfully,

Pryce Corporation

Jose Ma. C. Ordenes
Corporate Information & Compliance Officer



CERTIFICATION

I, Jose Ma. C. Ordenes, Corporate Information & Compliance Officer, is a duly authorized representative of Pryce Corporation with SEC registration number 168063 and with principal office at 17th Floor Pryce Center, 1179 Chino Roces Ave., Makati City, do hereby certify and state that:

1. On behalf of Pryce Corporation, I have caused the preparation of the company's Definitive Information Statement (**SEC Form 20-IS**) as amended.
2. I have read and understood its content which are true and correct, of my own personal knowledge and/or based on true records;
3. Pryce Corporation hereby complies with the requirements and guidelines set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports, and/or documents through electronic mail;
4. That I am fully aware that documents filed online which requires pre-evaluation and/or processing fees shall be considered complete and officially received only upon payment of a filing fee, if applicable.

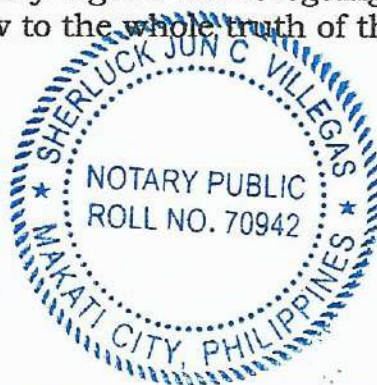
IN WITNESS WHEREOF, I have hereunto set my hands this JAN 22 2021 day of _____, 2021.

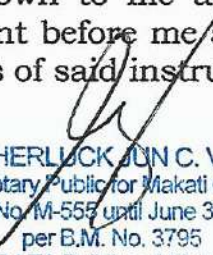

Jose Ma. C. Ordenes

Corporate Information & Compliance Officer

SUBSCRIBED AND SWORN to before me this JAN 22 2021 day of _____, 2020, a notary public in and for MAKATI CITY this ____th day of _____ 2020. Affiant personally came and appeared with Government Issued LTO ID No N26-08-001284, known to me as the same person who personally signed the foregoing instrument before me and avowed under penalty of law to the whole truth of the contents of said instrument.

Doc. No. 187 ;
Page No. 39 ;
Book No. 4 ;
Series of 2021.




ATTY. SHERLUCK JUN C. VILLEGAS
Notary Public for Makati City
Appt. No. MI-555 until June 30, 2021
per B.M. No. 3795
Unit 3C LTA Building, 118 Perea St.
Legaspi Village, Makati City
Roll No. 70942

IBP No. 097148/12-11-2019/Pasig City
PTR No. 8533523/01-04-2021/Makati City
MCLE Compliance No. VI-0028223/August 13, 2019



January 22, 2021

**NOTICE OF CHANGE OF VENUE OF
ANNUAL STOCK HOLDERS' MEETING**

To Our Shareholders:

Please be notified that the venue of Annual Stockholders' Meeting ("ASM") of PRYCE CORPORATION shall be changed to the **Rigodon Ballroom, The Peninsula Manila, corner of Ayala and Makati Avenues**. The meeting shall still be held in person, and not via remote communication, on Friday, **February 5, 2021**, at 4:00 p.m. to take up the same agenda as earlier advised, to wit:

AGENDA

1. Call to Order and Determination of Quorum
2. Approval of Minutes of Previous Meeting
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 Auditor
8. Other Matters
9. Adjournment

Only shareholders of record as of January 22, 2021 shall be entitled to attend, participate, and vote in this meeting.

The Corporation is NOT SOLICITING ANY PROXIES. However, those who cannot physically attend and wish to send a representative/proxy, please send



PRYCE CORPORATION

website: www.pryce.com.ph

proxy letter to the Corporate Secretary on or before **January 26, 2021** at the above-indicated address for recording and verification.

Please note that no changes in details were made to the previous notice except the venue of the ASM. This change of venue was made because makati shangri-la, the original venue, confirmed a report that it will temporarily shut down operations beginning February 1, 2021 (no advice as to when it resumes operations). The decision to shut down was due to the low business levels and prolonged impact of the pandemic situation.

The requirements and procedure for the nomination and election of the Board of Directors are stated in the Definitive Statement.¹

The Corporation is NOT SOLICITING ANY PROXIES. However, those who cannot physically attend and wish to send a representative/proxy, please send proxy letter to the Corporate Secretary on or before **January 26, 2021** at the above-indicated address for recording and verification.

Shareholders are put on notice that electronic copies of the Information Statement, Management Report, SEC Form 17A, Audited Financial Statements and other pertinent documents are available at the Company's Website (www.pryce.com.ph) and PSE's Edge Portal (<https://edge.pse.com.ph>).

By the Chairman.


FELICIANO B. HATUD
Corporate Secretary
feliciano.hatud@prycegases.com
(02) 8 899-4401

¹ 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.

REPUBLIC OF THE PHILIPPINES)
City of Makati) SS.

SECRETARY'S CERTIFICATE

I, **FELICIANO B. HATUD**, of legal age, Filipino and Corporate Secretary of **PRYCE CORPORATION** (the "Corporation"), a corporation duly organized and existing under and by virtue of Philippine laws with principal office address at 17TH Floor, Pryce Center, 1179 Chino Roces Avenue corner Bagtikan Street, Makati City, do hereby certify that:

At the Special Meeting of the Board of Directors held on January 21, 2021, the following resolutions, among others, were unanimously adopted and approved, and shall remain in full force and effect, to wit:

"RESOLVED, as it is hereby resolved, that the venue for the regular Annual Stockholders' Meeting of the Corporation shall be changed to **Rigodon Ballroom, The Peninsula Manila, corner of Ayala and Makati Avenues** due to the temporary shutdown of the operation of Makati Shangri-La starting February 1, 2021, since it has been suffering from financial distress due to the prolonged effects of COVID-19 Pandemic, as confirmed by its management.

RESOLVED, as it is hereby resolved, that the Annual Stockholders' Meeting of the Corporation shall be held in person, and not via remote communication, on February 5, 2021 at 4PM at the new venue **Rigodon Ballroom, The Peninsula Manila, corner of Ayala and Makati Avenues**

"RESOLVED FURTHER, that the agenda for the aforesaid meeting are as follows:

1. Call to Order and Determination of Quorum
2. Approval of Minutes of Previous Meeting
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 Auditor
8. Other Matters
9. Adjournment"

"RESOLVED FURTHER, as it is hereby resolved, that only the stockholders of record as of January 22, 2021, who are physically present, are entitled to attend, participate and vote at such meeting."

"RESOLVED FURTHER, as it is hereby resolved, that the Corporation is NOT SOLICITING ANY PROXIES. However, those who cannot physically attend and wish to send a representative/proxy, please send a proxy letter to the Corporate Secretary on or before **January 26, 2021** at the above-indicated address for recording and verification."

The above resolutions and appointment or authorization are in full force and effect unless subsequently modified or rescinded in writing.


IN WITNESS WHEREOF, I have hereunto affixed my signature this JAN 22 2021 at Makati City.


FELICIANO B. HATUD
Corporate Secretary

SUBSCRIBED AND SWORN to before me this JAN 22 2021 at Makati City, affiant having exhibited to me his Driver's License No. NO3-97-239404, expiring on 11 November 2022.

Doc. No. 188 ;
Page No. 39 ;
Book No. 4 ;
Series of 2021.




ATTY. SHERLUCK JUN C. VILLEGAS
Notary Public for Makati City
Appt. No. M-555 until June 30, 2021
per B.M. No. 3795
Unit 3C LTA Building, 118 Perea St.
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Roll No. 70942
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PTR No. 8533523/01-04-2021/Makati City
MCLE Compliance No. VI-0028223/August 13, 2019

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

1. Check the appropriate box:
☐ Preliminary Information Statement
☒ Definitive Information Statement
2. Name of Registrant as specified in its charter: **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: February 5, 2021
 Time: 4 o'clock in the afternoon
 Place: **Rigodon Ballroom, The Peninsula Manila**, Ayala Avenue corner Makati Avenue, Makati City
9. Approximate date on which the amended Information Statement is first to be sent or given to security holders: **January 25, 2021**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA as of December 31, 2020:

Title of Each Class	Number of Shares of Common Stock Outstanding
Common	1,940,637,369
Treasury	83,862,631

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 (Amended)

This amended Information Statement is dated January 22, 2021 and to be furnished to stockholders of record of Pryce Corporation as of January 22, 2021 in connection with the company's Annual Stockholders' Meeting on February 5, 2021.

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 year 2020 will be held on February 5, 2021 at 4 o' clock in the afternoon at the Rigodon Ballroom, The Peninsula Manila, Ayala Avenue corner 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

This information statement will be sent to the security holders approximately on January 25, 2021.

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 41 of the Revised 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

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 1,940,637,369 subscribed and outstanding common shares as of December 31, 2020. 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 January 22, 2021 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 December 31, 2020)

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 December 31, 2020, 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 Owner²	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	52.41%
	PCD Nominee Corporation 37/F Tower I, the Enterprise Center, 6766 Ayala Avenue corner Paseo de Roxas, Makati City	Various ⁴	Filipino	440,921,626	22.72%
		Josefina Multi-Ventures Corporation ⁵ 17 th Floor Pryce Center, 1179 Chino Roces Avenue, Makati City Client of PDTC Participant	Filipino	133,114,512	6.86%
	Hinundayan Holdings Corporation 17 th 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	8.28%
	PCD Nominee Corp. (Non-	Various ⁷	Non-Filipino	40,023,312	2.06%

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				

Security Ownership of Management (as of December 31, 2020)

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	3.09%*
	Efren A. Palma	100	100,000	Filipino	0.01%
	Ramon R. Torralba, Jr.	218,806	0	Filipino	0.01%
	Xerxes Emmanuel F. Escaño	0	26,513,250**	Filipino	1.36%**
	Ray W. Jovanovich	0	1,000	American	0.00%
	Gener T. Mendoza	20,000	82,600	Filipino	0.01%
	Arnold L. Barba	0	3,100	Filipino	0.00%
	Feliciano B. Hatud	0	25,000	Filipino	0.00%
	Samuel H. Cinco	0	0	Filipino	-
	Sonito N. Mole	0	0	Filipino	-
	Jose Ma. C. Ordenes	1,449	0	Filipino	0.00%
	Earl Christian L. Lerio	0	0	Filipino	-
	Valentina S. Palma	0	0	Filipino	-

* 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	0.087%
	Ramon R. Torralba, Jr.	Pryce Development Corporation	90,000	Filipino	0.005%

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 December 31, 2020:

Name	Age	Citizenship	Position		
			Board	Executive Officer	Corporate Governance Committee Membership/s
Salvador P. Escaño	68	Filipino	Director – Chairman of the Board	Chief Executive Officer	<i>Chair</i> , Nomination; <i>Member</i> , Compensation and Remuneration.
Efren A. Palma	54	Filipino	Director	President	---
Ramon R. Torralba, Jr.	75	Filipino	Director	---	<i>Chair</i> , Compensation and Remuneration
Xerxes Emmanuel F. Escaño	29	Filipino	Director	---	<i>Member</i> , Audit; <i>Member</i> , Nomination.
Ray W. Jovanovich	57	American	Director	---	---
Gener T. Mendoza	57	Filipino	Independent Director	---	<i>Member</i> , Audit; <i>Member</i> , Nomination.
Arnold L. Barba	68	Filipino	Independent Director	---	<i>Chair</i> , Audit; <i>Member</i> , Compensation and Remuneration.
Feliciano B. Hatud	61	Filipino	---	Corporate Secretary; VP-Finance	---
Samuel H. Cinco	60	Filipino	---	FVP– Head, Northern Mindanao Operations	---
Sonito N. Mole	61	Filipino	---	Regional Head – Southern Mindanao Operations	---
Jose Ma. C. Ordenes	61	Filipino	---	Treasurer; SVP – Operations Monitoring; Corporate Information and Compliance Officer	---
Earl Christian L. Lerio	31	Filipino	---	OIC – Office of the Chairman; Alternate Compliance Officer	---

Salvador P. Escaño is Chairman & CEO of Pryce Corporation. Mr. Escaño is also a Director of Oro Oxygen Corporation (“OOC”) and of Crown Equities, Inc. the latter 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 concurrently a director of PGI, Hinundayan Holdings Corporation, and PPhl. 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. 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 PPhl 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 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.

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.

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.

Thomas G. Aquino is a nominee for the position of independent director. Mr. Aquino is the Chairman of the Board of Now Corporation. He is an Independent Director in the publicly listed firms ACR Corporation, A. Brown Company and Holcim Philippines Inc. He obtained a Doctorate in Management from IESE Business

School, University of Navarre (Spain), Master of Science in Industrial Economics from the University of Asia and the Pacific, and Bachelor of Arts in Economics from the University of the Philippines.

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 Special Project Landbanking Division and later moved to PC. Mr. Cinco is a licensed real estate broker and holds a Bachelor's degree in Business Administration obtained from the Xavier University in Cagayan de Oro City.

Jose Ma. C. Ordenes has been connected with the Company since 1993. Previous to his position as Treasurer and Senior Vice President for Operations Monitoring, 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) in 1987 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 a graduate of Southwestern University in Cebu with a Bachelor's Degree in Commerce major in Accounting.

Earl Christian L. 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 2020-2021:

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

All of the above nominees are incumbent directors, except Thomas Aquino. Information on the incumbent directors 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 8.26% 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,⁸ apart 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

Messrs. Salvador P. Escaño and Benjamin P. Escaño are brothers. 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.

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: Again, 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

8 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.

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.

LPGIA versus the Directors and Officers of Pryce Gases, Inc. and/or Oro Oxygen Corporation

Provincial Prosecution Office of Rizal

NPS Docket No. XV-18M-INV-15H-03386

For: 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.

People of the Philippines vs. Rudy T. Abuyog, et al.

For: Violation of Sec. 2(a) in rel. to Sec. 3 (c) and Sec. 4, B. P. 33 as amended by PD 1865

Criminal Case No. 16-0186, Criminal Case No. 16-0187, Criminal Case No. 16-0188

Municipal Trial Court of Taytay

Nature: This case has its inception from NPS Docket No. XV-18M-INV-15H-03387 which culminated in the filing of criminal charges against the corporate officers.

Status: The Court approved the inclusion of additional officers for indictment. On 8 October 2018, all the other additional accused were arraigned and have posted bail. The initial presentation of prosecution evidence is set on 4 March 2019. After the presentation of prosecution evidence, the Accused filed a Demurrer to Evidence with Motion to Dismiss. The Demurrer to Evidence is still pending.

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 Taytay and Taguig cases, 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 were DISMISSED by the Cavite Prosecutor's Office. LPGIA filed a Petition for Review with the Department of Justice ("DOJ"). The Accused filed a Comment. The Petition is still pending with the DOJ.

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 Prosecutor 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 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.

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.

Republic Gas Corporation, rep. by: Wilbert R. Sanchez vs. Rafael P.

Escano, Salvador P. Escano and Efren A. Palma

NPS Docket No. III-08-INQ-19-F-00208

Office of the City Prosecutor, Meycauayan, Bulacan

For: Trademark Infringement

Nature: Prior to this case, Republic Gas Corporation (REGASCO) secured a search warrant from the RTC Pasig City in another criminal case against Pryce Gas Meycauayan refilling plant alleging that Pryce Gases is

committing trademark infringement. By virtue of the search warrant, REGASCO together with the CIDG, raided the Pryce Gas Meycauayan refilling plant. During the raid, LPG cylinders ostensibly bearing the trademark of REGASCO as inscribed in the handles of the LPG cylinders, were confiscated inside the refilling plant. The plant OIC/supervisor were arrested and a criminal case for Trademark Infringement were filed against them (docketed as P. v. Barug et al, Crim. Case No., 3215-M-2019). As an offshoot of that case, similar complaints for Trademark Infringement were filed against Salvador P. Escaño et al. in their official capacities as corporate officers of Pryce Gases Inc. even though no direct participation by the said officers could be inferred.

Status: The Office of the Prosecutor-Meycauayan directed Messrs. Salvador P. Escano et al. to submit their Counter Affidavits in the Complaint for Trademark Infringement filed by REGASCO. The Counter Affidavit was filed on December 19, 2019. The case is now submitted for resolution.

Republic Gas Corporation, rep. by: Efren J. Almojuela vs. Rafael P. Escano, Salvador P. Escano, and Efren A. Palma

NPS Docket No. XV-18m-INQ-19F-04363

Provincial Prosecution Office of Rizal, Taytay, Rizal;

For: Trademark Infringement,

Nature: Prior to this case, Republic Gas Corporation (REGASCO) secured a search warrant from the RTC Pasig City against Pryce Gas/Oro Oxygen Taytay refilling plant alleging that Pryce Gases is committing trademark infringement. By virtue of the search warrant, REGASCO together with the CIDG, raided the Pryce Gas/Oro Oxygen Taytay refilling plant. During the raid, LPG cylinders ostensibly bearing the trademark of REGASCO as inscribed in the handles of the LPG cylinders, were confiscated inside the refilling plant. The plant OIC/supervisor were arrested and a criminal case for Trademark Infringement (docketed as People vs. Rabago et al, Criminal Case No. 19-932) was filed against him. As an offshoot of that case, similar complaints for Trademark Infringement were filed against Salvador P. Escaño et al. in their official capacities as corporate officers of Pryce Gases Inc. before the Office of the City Prosecutor of Taytay, Rizal, even though their direct participation could not be inferred.

Status: The OCP Taytay dismissed the charges against Salvador P. Escaño et al. The case for Trademark Infringement was filed before the RTC Binangonan because there is no RTC at Taytay City. The Motion for Preliminary Investigation for RPE, SPE and EAP was denied. Warrant of arrest was issued. Bail was posted. We will file a Motion for Reconsideration to the Order denying the Motion for Preliminary Investigation upon receipt of the Order. The Motion to Quash Search Warrant is still pending.

People of the Philippines vs. Mr. Rudy T. Abuyog, Salvador Escano, et. al

Municipal Trial Court of Taytay

For: Violation of B.P. 33, Municipal Trial Court of Taytay

Nature: The LPG Industry Association (LPGIA) secured a search warrant from the RTC Pasig City against Pryce Gas/Oro Oxygen Taytay refilling plant alleging that Pryce Gases is committing trademark infringement. By virtue of the search warrant, LPGIA together with the NBI, raided the Oro Oxygen Taytay refilling plant. During the raid, LPG cylinders allegedly bearing the trademark of LPGIA-member companies were confiscated inside the Taytay refilling plant. A complaint for Trademark Infringement, and violation of BP. Blg. 33, and RA 5700, were filed against Mr. Rudy Abuyog (president) and other corporate officers of Oro Oxygen. The charges for Trademark Infringement and violation of RA 5700 were dismissed. An Information for violation of BP. 33 was filed against Mr. Rudy Abuyog, SPE and other corporate officers of Oro Oxygen. The criminal case was filed with the MTC Taytay.

Status: After the presentation of the prosecution's evidence, the Accused filed a Demurrer to Evidence with Motion to Dismiss. The Demurrer to Evidence is still pending.

LPG Industry Association vs. Mr. Raul R. Villanueva. et. al.

OCP Case no. XV-16-INV-15H-00628

Office of the City Prosecutor of Taguig City

For: Trademark Infringement, Violation of B.P. 33

Nature: The LPG Industry Association (LPGIA) secured a search warrant from the RTC Pasig City against Pryce Gas Taguig refilling plant alleging that Pryce Gases is committing trademark infringement. By virtue of the search warrant, LPGIA together with the NBI, raided the Taguig refilling plant. During the raid, LPG cylinders bearing the trademark of LPGIA-member companies were confiscated inside the Taguig refilling plant. A complaint for Trademark Infringement, and violation of BP. Blg. 33, and RA 5700, were filed against Mr. Rudy Abuyog (president) and other corporate officers of Oro Oxygen.

Status: The OCP Taguig DISMISSED all charges against the respondents. LPGIA filed its Motion for Reconsideration. The Respondents filed their Comment/Opposition to LPGIA's Motion for Reconsideration. LPGIA's Motion for Reconsideration is still pending.

LPG Industry Association vs. Mr. Raul R. Villanueva. et. al

OSEC-PR-RZL-2-051216-001

Office of the City Prosecutor of Taytay) Department of Justice

For: Trademark Infringement, Violation of B.P. 33

Nature: The LPG Industry Association (LPGIA) secured a search warrant from the RTC Pasig City against Pryce Gas/Oro Oxygen Taytay refilling plant alleging that Pryce Gases is committing trademark infringement. By virtue of the search warrant, LPGIA together with the NBI, raided the Oro Oxygen Taytay refilling plant. During the raid, LPG cylinders allegedly bearing the trademark of LPGIA-member companies were confiscated inside the Taytay refilling plant. A complaint for Trademark Infringement, and violation of BP. Blg. 33, and RA 5700, were filed against Mr. Rudy Abuyog (president) and other corporate officers of Oro Oxygen.

The OCP Taguig resolved to dismiss all charges against SPE and other officers of Oro Oxygen but recommended the filing of an Information for violation of B.P. 33 as against Mr. Rudy Abuyog, in his capacity as the president of Oro Oxygen. The case was filed with the MTC Taytay.

LPGIA filed a Petition for Review with the DOJ questioning the OCP Taytay's dismissal of the charges against Salvador Escaño et al. The DOJ reversed the OCP Taytay and recommended the filing of B.P. 33 charges against Salvador Escaño et al. An Amended Information was filed with the MTC Taytay thereby impleading Messrs. Salvador Escaño et al., as additional accused.

The Respondents filed a Motion for Reconsideration questioning the DOJ's Resolution.

Status: The DOJ partially granted LPGIA's Petition for Review and indicted additional respondents for violation of BP 33. The Respondents filed a Motion for Partial Reconsideration. In turn, LPGIA also filed its Motion for Partial Reconsideration, Respondents filed their Comment/Opposition thereto. The incidents are still pending with the DOJ.

Promark Strategies (Phils.) v. Pryce Corp. and EAPalma

Makati RTC, Br. 57

Civil Case No. 12-190

Nature: This is a collection suit based on a 2005 Agreement between Promark and PC, particularly the provision which provides that PC's Pryce Plaza Hotel agrees to pay Promark the fee equal to 50% of the net profits derived from membership sales made during the term of said agreement. One of PC's main defenses is that the profit-sharing scheme is based only on "net profit" and that the actual sales operation of the hotel resulted in net losses, and therefore, no profit-sharing is due.

Status: The case was initially suspended due to the then rehabilitation proceedings of PC. However, this case was revived by the court just recently, i.e. September 3, 2020 despite PC's Motion to Dismiss the action based on plaintiff's failure to prosecute. The pre-trial conference is scheduled on November 10, 2020.

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.

Certain Relationships and Related Transactions

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.

Resignation of Director

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.

Appraisals and performance report for the Board and the criteria for assessment

The Board, its members, and the Chairman conduct an annual self-assessment of their performance. The Company believes that the performance of the Board as a whole, its committees, the individual members, and the Chairman can best be assessed through the performance of the Company in terms of the more salient criteria, to wit: revenue growth; increase in market share; net income growth; and generation of employment.

Metrics under the aforesaid criteria are found in the Management Report attached to this Information Statement under the two separate headings **Key Performance Indicators** and **Results of Operations and Detailed Discussion on Performance Indicators**, which both belong under the topic **MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**.

Director disclosures on self-dealings and related party transactions

The Company has no knowledge of any transactions or self-dealings of its directors that contravenes or violates the Company's Policy on Material Related Party Transactions.

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	2018	4,359	905	5,264
	2019	4,359	961	5,319
	2020 (est.)	4,359	950	5,309
Other junior officers, directors and certain managers as a group, unnamed	2018	3,731	729	4,460
	2019	3,731	729	4,460
	2020 estimated	3,731	729	4,460

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 reasonable 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 2019 and the preceding years:

Year	External Audit Fee⁹	Tax Fees¹⁰	Other Fees¹¹	Aggregate Fees
2017	P 636,000.00	---	---	P 636,000.00
2018	P 670,000.00	---	---	P 670,000.00
2019	P 705,000.00	---	---	P 705,000.00

9 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.

10 No engagement.

11 No engagement.

Resignation of Principal Accountant

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 2019, its Quarterly Report (SEC Form 17-Q) for the quarter ending September 30, 2020 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, 2019 [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.¹²

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, 2019;
- (2) The Audited Financial Statements of the Company for the year ending December 31, 2019; and,
- (3) The Minutes of the 2019 Annual Stockholders' Meeting held on June 28, 2019 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 2019 annual stockholders' meeting; (ii) approval of the Annual Report and the Financial Statements of the Company for the year ended December 31, 2019; (iii) ratification of all acts and transactions entered into by the Board of Directors and its Officers from June 1, 2019 to December 31, 2020; (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

¹² The registrant being essentially a real estate company, the acquisition and disposition of real properties is essentially in the ordinary course of business.

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

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, 2019 to December 31, 2020. The major resolutions and acts of the Board and Management relate to: *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, 2019 to December 31, 2020. The major resolutions and acts of the Board and Management relate to: authorizing the opening and maintaining of a peso savings and/or current accounts with One Network Bank, Puerto Branch, with Efren A. Palma, Samuel H. Cinco, and Rhoda A. Marshburn as Class A Signatories, Maria Elena V. Dayata and Alan B. Ascabano as Class B Signatories; authorizing the opening and maintaining of a peso savings and/or current accounts with One Network Bank, Malaybalay Branch, with Efren A. Palma, Samuel H. Cinco, and Rhoda A. Marshburn as Class A Signatories, Maria Elena V. Dayata and Alan B. Ascabano as Class B Signatories; authorizing the opening and maintaining of a peso CASA, multi-one account, Peso Time Deposit with the United Coconut Planters Bank, Ozamiz Branch, with Efren A. Palma and Rhoda A. Marshburn as Class A Signatories, and Alan B. Ascabano as Class B Signatory; authorizing the opening and maintaining of a peso CASA, multi-one account, Peso Time Deposit with the United Coconut Planters Bank, Iligan Branch, with Efren A. Palma and Rhoda A. Marshburn as Class A Signatories, Alan B. Ascabano and Maria Elena V. Dayata as Class B Signatories, and Arturo I. Geronimo and Nialyn Chrysa C. Elumba as Class C Signatories; authorizing the application and availing of any of the products of the Philippine National Bank, with Rhoda A. Marshburn, Maria Elena V. Dayata, and Alan B. Ascabano as the Corporation's designated representatives in transacting with the bank; authorizing the opening and maintaining of a peso/dollar bank account with BDO Unibank, Inc., with Salvador P. Escaño, Paz T. Cabrera, and Jose Ma. C. Ordenes as Class A Signatories, and Efren A. Palma and Feliciano B. Hatud as Class B Signatories; authorizing Roel C. Castellano to process the closure of the Corporation's bank account with the Land Bank of the Philippines Capistrano Branch, under C/A No. 000152-1016-94; authorizing Efren A. Palma, Rhoda A. Marshburn as Class A Signatories, and Alan B. Ascabano and Maria Elena V. Dayata as Class B Signatories as an update for the Corporation's depository bank: Banco de Oro (BDO) Kauswagan Branch; authorizing Efren A. Palma, Sonito N. Mole, and Sheila A. Barayuga to sign, execute, and deliver any and all documents relating to the sale of eighteen (18) office condominium units and their respective parking slots located at Pryce Tower Building, Pryce Business Park, J.P. Laurel, Bajada, Davao City; authorizing Rhoda A. Marshburn to act as signatory and execute the deeds of sale relative to the sale of service vehicle more particularly described as follow: Make/Series: Isuzu, Type: DMAX, Engine No.: JJ1LW5161, and Chassis No.: MPATFR85JET001521; authorizing Sonito N. Mole to sign, execute, and deliver any and all documents relating to the sale of subdivision lots particularly at Villa Josefina Resort Village, located at Talomo District, Davao City, through bank loan from any chosen banks by the buyers/borrowers; authorizing Sonito N. Mole or Sheila G. Barayuga to sign, execute, and deliver any and all documents relating to the sale of the Company's Memorial Lots belonging to Pryce Gardens-Davao, Pryce Gardens-Butuan, Pryce Gardens-Zamboanga, Pryce Gardens-Bislig, Pryce Gardens-Malita, Pryce Gardens-Alabel; authorizing Salvador P. Escaño jointly with any one of Feliciano*

B. or Jose Ma. C. Ordenes to execute the buying and selling orders on behalf of the Corporation for the buying, selling, and trading of stocks listed in the Philippine Stock Exchange with any reputable securities and stock brokerage company; authorizing Efren A. Palma and Rhoda Marshburn to represent for the Corporation relating to the acquisition of real estate properties for land development and future use and sale of the Corporation's developed real estate properties; authorizing Roel C. Castellano in requesting for consideration in the payment of only the principal portion of the business tax relating to the closure of Pryce Plaza Hotel on December 31, 2016; authorizing Efren A. Palma and Jose Ma. C. Ordenes to file a Substitution of Applicant with the Department of Agrarian Reform in Application No. AO'102-10-06-0121(E)-161, Series of 2008 relating to the property covered by TCT No. T-54289; authorizing Efren A. Palma and Jose Ma. C. Ordenes as representatives in filing a Petition for Cancellation of Lis Pendens with the Registry of Deeds of Misamis Oriental relating to the property covered by TCT No. T-54289; authorizing Efren A. Palma and Jose Ma. C. Ordenes to sign, execute, and deliver a memorandum of agreement and deed of assignment relating to the sale of real property covered by TCT No. T-54289; authorizing Salvador P. Escaño to sign, execute, and deliver all necessary documents, while Feliciano B. Hatud and Fulgencio A. Mossesgeld to execute the buying and selling orders on behalf of the Corporation for the buying, selling, and trading of stocks, listed and unlisted, in the Philippine Stock Exchange; authorizing the availing of the products and services of the Philippine National Bank, and authorizing Rhoda A. Marshburn, Maria Elena V. Dayata, Alan B. Ascabano to use, operate, and administer the internet banking/cash management services availed; authorizing Januarhe T. Valledor, Rhoda A. Marshburn, Alan B. Ascabano, Efren A. Palma to sign, execute, and/or deliver any and all documents, contracts, instruments to avail SM Bills payment systems at Madison Shopping Plaza, Inc.; declaration of cash dividends in the amount of P0.12 per common share payable on January 29, 2020 to stockholders of record as of January 3, 2020; authorizing Sonito N. Mole, Sheila G. Barayuga to negotiate, conclude, sign, execute, and deliver deeds of sale, contracts to sell, contracts of lease, contracts to buy and any and all documents relating to the sale and lease of the Corporation's real estate properties, i.e. condominium units in Pryce Tower, Pryce Business Park, subdivision lots in Villa Josefina Resort Village, memorial plots in Pryce Gardens-Manila, Pryce Gardens-Alabel, Pryce Gardens-Bisig, Pryce Gardens-Butuan, Pryce Gardens-Zamboanga, Pryce Gardens-Davao; authorizing representatives of the Corporation to apply for, make follow-ups, and obtain the renewal of business permits, licenses and clearances relating to the Corporation's business as Developer, Marketer, Seller of Real Estates and Memorial Lots; authorizing the opening and maintaining of a peso savings and/or checking account with One Network and designating Sonito N. Mole, Sheila G. Barayuga, and Jovina S. Baguio as authorized signatories; declaration of cash dividends in the amount of P012 per common share payable on July 6, 2020 to stockholders of record as of June 15, 2020; authorizing Efren A. Palma and/or Rhoda A. Marshburn to enter into a compromise agreement with Narciso R. Nolasco, Jr., and to sign, execute, and deliver such agreement under such terms and conditions as deemed proper and necessary; authorizing Salvador P. Escaño to sign, execute, and deliver all necessary documents, while Feliciano B. Hatud and Fulgencio A. Mossegeld to execute the buying and selling orders on behalf of the Corporation for the buying, selling, and trading of stocks, listed and unlisted, in the Philippine Stock Exchange; authorizing Rhoda A. Marshburn to represent, transact, process payment, sign, and submit necessary documents relating to the Building Permit Application for the construction of the Mausoleum for Pryce Gardens North Mindanao Operations; authorizing the availing of Domestic Bills Purchase/Domestic Bills Purchase-Manager's Check Line and Omnibus Line with the United Planters Coconut Bank, with Salvador P. Escaño, Efren A. Palma, Jose Ma. C. Ordenes, and Feliciano B. Hatud as authorized signatories; authorizing Efren A. Palma, Zerah Marie B. Absin, and Rhoda A. Marshburn to represent for and appear in behalf of the Corporation in the case entitled 'Omera Dampal v. Pryce Corporation, Ester Causin and the City Assessor's Office of Cagayan de Oro,' docketed as Civil Case No. CV-ORD-2018-738; authorizing the opening and maintaining of a Peso CASA, multi-one account, Peso Time Deposit with the United Coconut Planters Bank, Iligan Branch, with Efren A. Palma and Rhoda A. Marshburn as Class A Signatories, Alan B. Ascabano and Maria Elena V. Dayata as Class B Signatories, and Christopher G. Ego-ogan and Nialyn Chrysa C. Elumba as Class C Signatories; authorizing Gilbert S. Arsenio to transact business and make representation with the Bureau of Internal Revenue for the

authority to print official receipts for the Corporation's operations in Malaybalay, Bukidnon, Bugo, Cagayan de Oro City, Cagayan de Oro City; authorizing Rhoda A. Marshburn to act as signatory and execute the deed of sale relative to the sale of service vehicle more particularly described as follows: Make/Series: Honda, License No.: JO1-97-022976Type: XRM Black, Engine No.: KPY00E045433, and Chassis No.: KPY00045417, Plate No.: KA-60108; authorizing Salvador P. Escaño to act as signatory and execute the deed of sale relative to the sale of the Corporation's motor vehicle more particularly described as follows: Make/Series: Chevrolet Trailblazer, Year Model: 2014, Body Type: SUV, Engine No.: BG1 G132601214, MV File No.: 0380-00000128298, Plate No.: AAB 2135; authorizing Rhoda A. Marshburn and Alan B. Ascabano to enter into transactions and contracts with, and avail of products, facilities, and services of PLDT Inc., and its affiliates; authorizing the approval and adoption of the Corporation's Revised Corporate Governance Manual pursuant with SEC Memorandum Circular No. 24, series of 2019; the Corporation postpones Annual Stockholders' Meeting supposed to be held on August 20, 2020 to October 16, 2020; authorizing Atty. Paul Vincent M. Casilla, Atty. Francis Joseph P. Tiu, and Atty. Gienah M. Soriano to represent the Corporation in signifying the latter's conformity in the entries of appearance of the Corporation's lawyers in the cases that said lawyers handle for the Corporation, as well as conformity to the withdrawal of appearance of the Corporation's former legal counsels; authorizing the opening and maintaining a peso savings and/or current accounts with the Philippine National Bank, Ewest Mall with Salvador P. Escaño, Jose Ma. C. Ordenes and Feliciano B. Hatud as signatories; authorizing Salvador P. Escaño, jointly with Jose Ma. C. Ordenes or Feliciano B. Hatud to sign, execute, and deliver all necessary documents, and execute the buying and selling orders on behalf of the Corporation for the buying, selling, and trading of stocks, listed and unlisted, in the Philippine Stock Exchange; authorizing Atty. Paul Vincent M. Casilla, Atty. Francis Joseph P. Tiu, and Atty. Gienah M. Soriano to represent the Corporation in signifying the latter's conformity in the entries of appearance of J.P.A. Yasay Law Office in the cases that said lawyers handle for the Corporation, as well as conformity to the withdrawal of appearance of the Corporation's former legal counsels; postponing the Annual Stockholders' Meeting on 16 October 2020 to 11 December 2020 considering the continuing Coronavirus pandemic. Details such as record date, agenda time, and venue of the meeting, and other related information shall be disclosed at a later date; authorizing Sonito M. Mole, Ernesto B. Pagunsan, and Luisito A. Antonio to enter into transactions with and avail the services of Davao City Water District for the Corporation's subdivision, St. Joseph Homes; authorizing Emelda F. Montalban and Rodora T. Albores to represent, sign, execute, and deliver documents, and process any and all bank transactions with One Network Bank involving the Corporation's current account with account no. 040588001323; authorizing the Corporation to open and maintain a trade account with AB Capital Securities, Inc., and appoints and authorizes Salvador P. Escaño, Jose Ma. C. Ordenes, and Feliciano B. Hatud to sign, execute, and deliver all necessary documents, and Salvador P. Escaño, Feliciano B. Hatud, Fulgencio A. Mossesgeld, and Rens V. Cruz II to buy, sell and trade stocks, and execute the buying and selling orders for and on behalf of the Corporation; authorizing the Corporation to open update its list of authorized signatories with its stock transfer agent, Banco de Oro Unibank, Inc., Stock Transfer Unit – Trust Banking, with Salvador P. Escaño, Efren A. Palma, Jose Ma. C. Ordenes, and Feliciano B. Hatud as the designated authorized signatories; authorizing Sonito M. Mole to render official business transactions with the Department of Transportation – Railways Sector relative to the ongoing negotiation on the affected properties of the Mindanao Railway Project, specifically properties situated in St. Joseph Homes Sirawan, Toril Davao City; authorizing Joan D. Genciano to represent the Corporation in transactions with PLDT Inc., and any of its wholly/partly owned subsidiaries and affiliates, specifically including but not limited to Smart Communications, Inc.; authorizing the declaration of cash dividends of P0.12 per common share payable on January 25, 2021 to all stockholders of record as of December 23, 2020; authorizing the postponement of the Annual Stockholders' Meeting previously set on December 11, 2020 and shall be moved to February 05, 2020 - other details such as record date, agenda, time and venue, and other related information shall be disclosed at a later date; authorizing the extension of the Buy-Back Program up to such time that the appropriated fund of Php500 million has been spent for the purpose. Further, after the fulfillment of the said Buy-Back Program, that a second Buy-Back Program with a similar funding of Php500 million be implemented for a period of 1 year; authorizing Josefina

E. Manuel to act as signatory and execute the deed of sale relative to the sale of the Corporation's motor vehicle more particularly described as follows: Make/Series: Subaru Forester, Plate No.: WIE359; Year Model: 2013, CR No. 178794943, Engine No.: R674504, Chassis No.: JF1SJ5LC5DG022067, MV File No.: 1380-00000771540; authorizing Gilbert Arsenio to act for and on behalf of the Corporation to sign, execute, and deliver all documents including but not limited to the Bureau of Internal Revenue's Authority to Print the Official and Provisional Receipt of the Corporation's office in Tambaca, Iligan City, Lanao del Norte; authorizing the Corporation to act as surety for Pryce Gases, Inc., and be jointly and solidarily liable with the latter for its loans and other obligations with Robinsons Bank Corporation, including renewals/extensions or amendments thereof or supplements thereto, including all loans and other credit accommodations, obligations contracted or incurred; authorizing Atty. Sam Dominic Lagunzad, Jose A. Lagunay, Jr. and Jose Capacite, Jr. to represent for and on behalf of the Corporation in filing a Petition for Certiorari under Rule 65 for the case entitled "Jose Capacite Jr. v Jurly Tabor and Marlon Lopez" docketed as NPS Docket No. VIII – 11a INQ (F1) 20E-00014.

Voting Procedures and Minutes of the Meeting

Vote Required

Motions in general require the affirmative vote of stockholders present during the meeting owning at least a majority of the outstanding shares of the Company entitled to vote. Certain proposed actions however may require the vote of at least two-thirds (2/3) of the Company' outstanding capital stock.

Election of Directors and 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.

Opportunity for stockholders' queries

At every conclusion of the presentation of any item in the agenda, the Chairman or his duly authorized designate asks the body (consisting of directors, officers, and stockholders present in the meeting) if it has any comments or queries pertaining to the agenda item presented. After all the comments or queries have been addressed, a motion is entertained to vote on the matter, and is passed as approved after primary and secondary motions for approval, if there are no objections. The queries and responses thereto shall be recorded in the minutes of the meeting.

Matters discussed and resolutions reached

The matters discussed and resolutions approved are recorded and presented in the Minutes of the Stockholders' Meeting (Regular or Special). [Please see Minutes of the Stockholders' Meeting of June 28, 2019, hereto attached to this Information Statement.]

Voting results of the previous meeting

In the previous regular stockholders' meeting, the Corporate Secretary certified that a quorum was present since 1,553,985,947 shares out of the issued and outstanding shares of 2,013,226,500 or 77.19% entitled to vote were present in person and by proxy. This recorded information appears in the Minutes of the previous Stockholders' Meeting. A matter is approved by the shareholders present when there is no objection or any such objections are otherwise overcome by the required affirmative vote. The results of the voting on the items in agenda are presented in the Minutes of the Stockholders' Meeting (Regular or Special). [Please see Minutes of the Stockholders' Meeting of June 28, 2019, hereto attached to this Information Statement.]

List of attendees of the meeting

The list of attendees (directors, officers, and stockholders) is attached to the Minutes of the Stockholders' Meeting of June 28, 2019, hereto attached to this Information Statement.

Material information on the current stockholders

Latest information on the stockholders (as of December 31, 2020) is found under the separate headings **Public Ownership** and **Holders** of MANAGEMENT REPORT that are submitted along with this information statement.

Voting rights

Each shareholder shall have the same and equal rights in all respects to every other shareholder, unless otherwise provided in the articles of incorporation, by-laws and in the certificate of stock. No common shareholders shall be deprived of voting rights, except those classified and issued as "preferred" or "redeemable" shares unless otherwise provided in the Revised Corporation Code.

All common shareholders of the company shall be entitled to vote on all matters and transactions that the company are involved in and to approve a particular corporate act, including the matters expressly provided by the by-laws, articles of incorporation, and the Revised Corporation Code.

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
Corporate Secretary
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

-OR-

Atty. EARL CHRISTIAN L. LERIO
*OIC - Chairman's Office;
Alternate 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 January 22, 2021.

PRYCE CORPORATION

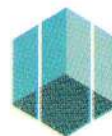
By:



JOSE MA. C. ORDENES
*Corporate Information and Compliance Officer;
Senior Vice President*



OFFICIAL RECEIPT
Republic of the Philippines
DEPARTMENT OF FINANCE
SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City, 1307



Accountable Form No. 51 Revised 2006	ORIGINAL
DATE November 09, 2020	No. 1937755

PAYOR PRYCE CORPORATION CHINO ROCES AVE., MAKATI CITY
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NATURE OF COLLECTION	ACCOUNT CODE	RESPONSIBILITY CENTER	AMOUNT
Information Statement - Registrant	4820199099	MSRD (678)	7,500.00
Legal Research Fee (A0823)	2020105000	(131)	75.00

TOTAL PHP 7,575.00

AMOUNT IN WORDS SEVEN THOUSAND FIVE HUNDRED SEVENTY FIVE PESOS AND 00/100

Received <input type="checkbox"/> Cash <input type="checkbox"/> Treasury Warrant <input checked="" type="checkbox"/> Check <input type="checkbox"/> Money Order	Received the Amount Stated Above OFELIA A. CAPISPAN COLLECTING OFFICER
Treasury Warrant, Check, Money Order Number MC-0021671	
Date of Treasury Warrant, Check, Money Order MC-2020-11-09	O.R. No. 1937755

NOTE: Write the number and date of this receipt on the back of treasury warrant, check or money order received.



20201106-2742925

Machine Validation:

OR# 1937755

OFELIA A. CAPISTAN

November 09, 2020 12:55pm

PHP7,575.00*****



Republic of the Philippines
DEPARTMENT OF FINANCE
SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City, 1307

**PAYMENT ASSESSMENT FORM**

No. 20201106-2742925

DATE 11/06/2020	RESPONSIBILITY CENTER MSRD
PAYOR: PRYCE CORPORATION CHINO ROCES AVE., MAKATI CITY	

NATURE OF COLLECTION	QUANTITY	ACCOUNT CODE	AMOUNT
Information Statement - Registrant		4020199099 (678)	7,500.00
Legal Research Fee (A0823)		2020105000 (131)	75.00
----NOTHING FOLLOWS----			
TOTAL AMOUNT TO BE PAID			Php 7,575.00
Assessed by: mtsposadas	Amount in words: SEVEN THOUSAND FIVE HUNDRED SEVENTY FIVE PESOS AND 00/100		
Remarks:			

SEC Landbank Accounts**Breakdown Summary**

Landbank Region/Area	SEC Clearing Account	SEC Account	FUND ACCOUNT	AMOUNT	ACCOUNT #
Region II, III-A, III-B, IV, Area IV-A, AREA IV-B, and Region VIII	3402-2319-20	Head Office / Tarlac	BTR Account	75.00	see SEC clearing accounts
Region I	3402-2319-38	Baguio	SEC SRC Current Account	7,500.00	0552-1052-57
Region V	3402-2319-46	Legaspi	TOTAL		
Region VI	3402-2319-54	Iloilo / Bacolod		Php 7,575.00	
Region VII	3402-2319-62	Cebu			
Region IX	3402-2319-70	Zamboanga			
Region X	3402-2319-89	Cagayan De Oro			
Region XI & XII	3402-2319-97	Davao			

Notes:

A. This form is valid for forty-five (45) calendar days from the date of Payment Assessment Form

B. Accepted modes of payment at SEC Main Office, Pasay City:

1. Cash 2. Manager's/Cashier's Check 3. Postal Money Order

C. Accepted mode of payment at selected Landbank branches:

1. Cash 2. Manager's/Cashier's Check payable to the Securities and Exchange Commission

D. For check payment, please prepare separate checks per fund account as indicated on the breakdown summary. All checks must be payable to Securities and Exchange Commission

E. For over the counter payment at LandBank, preparation of oncoll payment or deposit slip shall be per fund account as indicated on the breakdown summary.

If fund code is BTR, use an oncoll payment slip.

If fund code is SRC or RCC, use a regular deposit slip.

Send through email the copy of the machine-validated oncoll payment slip / deposit slip to the issuer of this PAF to confirm that payment has been made.

F. ANY ALTERATIONS WILL INVALIDATE THIS FORM

For National Capital Region (NCR), payments are only allowed thru the ff. Landbank branches:

Name of Branch	SEC Clearing Account
Edsa Greenhills	3402-2319-20
Edsa Congressional	
Araneta E.O.	
YMCA	
DOTC	
Ortigas E.O.	
Muntinlupa	
North Avenue	

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
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.

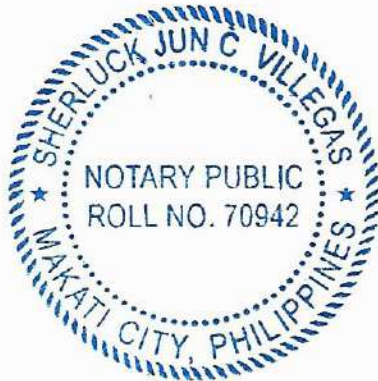
Done on 4 November 2020, Makati City.

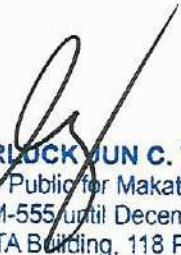

GENER T. MENDOZA
Nominee/Independent Director

REPUBLIC OF THE PHILIPPINES)
Makati City) SS.

SUBSCRIBED AND SWORN to before me on NOV 05 2020 at Makati City,
affiant exhibiting to me his Passport No. P7536606A issued on June 13, 2018.

Doc. No. 3 ;
Page No. 2 ;
Book No. 30 ;
Series of 2020.




ATTY. SHERLUCK JUN C. VILLEGAS
Notary Public for Makati City
Appt. No. M-555 until December 2020
Unit 3C LTA Building, 118 Perea St.
Legaspi Village, Makati City
Roll No. 70942
IBP No. 097148 /12-11-2019/ Pasig City
PTR No. 8116035 /01-02-2020/ Makati City
MCLE Compliance No. VI-0028223/ August 13, 2019

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Thomas G. Aquino**, of legal age, Filipino, and with address at 24 Barcelona St., Merville Park, Paranaque City 1709 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
NOW Corporation	Chairman	2011 - present
Alsons Consolidated Resources Inc.	Independent Director	2011 - present
A Brown Company	Independent Director	2012 - present
Holcim Philippines Inc.	Independent Director	2019 – 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 and Regulation Code, its Implementing Rules and Regulations, and other SEC issuances.
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 will inform the corporate secretary of **PRYCE CORPORATION** of any changes in the abovementioned information within five (5) days from its occurrence.

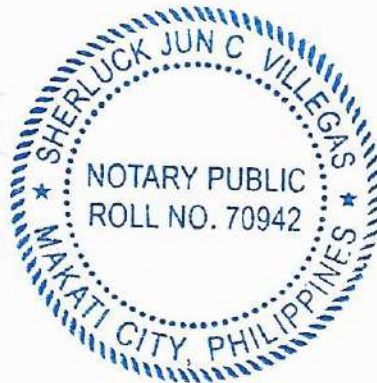
Thomas G. Aquino
THOMAS G. AQUINO
Nominee / Independent Director

Done on NOV 20 2020 City of MAKATI

REPUBLIC OF THE PHILIPPINES)
Makati City) SS.

SUBSCRIBED AND SWORN to before me on NOV 20 2020 at Makati City,
affiant exhibiting to me his Passport No. P3599859A issued on July 6, 2017.

Doc. No. 438;
Page No. 89;
Book No. 31;
Series of 2020



[Signature]
ATTY. SHERLUCK JUN C. VILLEGAS
Notary Public for Makati City
Appt. No. M-562 until December 2020
Unit 8C LTA Building, 118 Perea St.
Legaspi Village, Makati City
Roll No. 70942
IBP No. 097148 /12-11-2019/ Pasig City
PTR No. 8116035 /01-02-2020/ Makati City
MCLE Compliance No. VI-0028223/ August 13, 2019

**MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING OF PRYCE CORPORATION
HELD AT THE ISABELA BALLROOM B & C, MAKATI SHANGRI-LA, CORNER AYALA AND
MAKATI AVENUES, MAKATI CITY, ON FRIDAY, JUNE 28, 2019 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 10, 2019, at their given addresses on June 14, 2019, and published in a newspaper of general circulation, the Manila Bulletin on the same day, June 14, 2019. It was also certified that a quorum was present because 1,553,985,947 shares out of the issued and outstanding shares of 2,013,226,500 or 77.19% 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 annual stockholders meeting held on June 28, 2018. 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 June 28, 2018, be, dispensed with and the same be, as it is hereby, approved".

The next order of business was the report of the President or 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, 2018. Nevertheless, the President, Mr. Efren A. Palma, was requested by the Chairman to render a brief oral report on the result of operations in 2018 with comparative figures to the previous year, 2017, as follows:

- Pryce Corporation posted a consolidated net income of Php 1.41 billion for the year ended December 31, 2018, a 12% increase from Php 1.25 billion in 2017. Consolidated revenues grew by 11.34% to Php 10.27 billion from the year-ago figure of Php 9.23 billion.
- Ninety-three percent (93%) of the group's consolidated revenues came from the sale of Liquefied Petroleum Gas (LPG) and accessories 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.
- Earnings per share for 2018 was Php 0.636, which is a 12.1% improvement over the Php 0.567 per share in 2017.
- In 2018, Pryce Gases, Inc. (or PGI) completed the expansion of its LPG import terminals in Sogod, Cebu and Balingasag, Misamis Oriental. Also in 2018, a total of 12 LPG refilling plants and 20 sales centers were put up across Visayas and Mindanao.
- PGI's expansion program will continue in 2019. A new 2,000-MT import terminal will be built in Lila, Bohol. The storage capacities of terminals will be increased in the following areas: Ajuy, Iloilo, Ayungon, Negros Oriental, Zamboanga City, and Lugait, Misamis Oriental. At least ten (10) more LPG refilling plants and more sales centers will be built in various places across the country. All of these expansions are funded from internally generated funds.

- The company is aiming to achieve a net income of Php 1.6 billion (plus or minus 10%) for the year 2019. We are optimistic about the company's prospects for 2019 on account of strong household incomes given steady OFW remittances and new job opportunities in a growing economy. This is a welcome environment to our company's expansion projects that will be complemented by vigorous marketing and sales efforts in order to widen the scope of our market and bring our LPG products closer to the consumers. However, the income tax holidays, which were enjoyed by the company's San Fabian, Pangasinan import terminal, have expired last December 31, 2018 and hence will have an adverse impact on net income 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 the Management Report for the year ending December 31, 2018, 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, 2018. The Chairman requested the President of the Corporation to brief the stockholders about the Annual Report and the Financial Statements. As the President was about to render the report about the Corporation's operations for the year ending December 31, 2018, a motion was made to dispense with it inasmuch as they were already stated in the Information Statement and Management Report that were provided the stockholders before the meeting; moreover, the highlights of said report were already stated earlier in the President's oral report. 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, 2018, 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 Officers, 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 year 2019.

- | | |
|------------------------------|------------------------|
| 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. Gener T. Mendoza | - Independent Director |
| 7. Arnold L. Barba | - 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.


FELICIANO B. HATUD
Corporate Secretary

A T T E S T E D:


SALVADOR P. ESCAÑO
Chairman

List of Attendees in PPC's Annual Stockholders' Meeting of June 28, 2019

Board of Directors

- 1 Salvador P. Escaño - Chairman
- 2 Efren A. Palma - Director
- 3 Ramon R. Torralba - Director
- 4 Xerxes Emmanuel F. Escaño - Director
- 5 Ray W. Jovanovich - Director
- 6 Gener T. Mendoza (Director-elect)

Officers

- 1 Salvador P. Escaño - CEO
- 2 Efren A. Palma -President
- 3 Ramon R. Torralba - Chief Counsel
- 4 Feliciano B. Hatud - Corporate Secretary
- 5 Jose Ma. C. Ordenes - Treasurer

Affiliates

- 1 Hinundayan Holdings Corp.
- 2 Pryce Development Corp.
- 3 Josefina Multi-Ventures Corporation
- 4 Pryce Plans, Inc.
- 5 Pryce Securities, Inc.
- 6 Mindanao Gardens, Inc.
- 7 PGI Retirement Fund, Inc.

Other Shareholders present either in person or by proxy

- 1 Guild Securities, Inc. (holds accounts for various shareholders)
- 2 HSBC
- 3 Philip L. Tan
- 4 Edna A. Torralba
- 5 Randy U. Cortez
- 6 Alexander Pimentel
- 7 Nenita C. Chua
- 8 Eric V. Buagaoan
- 9 Leticia Co Sy or Lino Co Sy
- 10 Carlos Tan
- 11 Lauro Sy/Deseree Sy
- 12 Alfredo D. Abueg, Jr./Ma. Teresa T. Abueg
- 13 Flora G. Lee
- 14 Baldwin H. Yu

- 15 Nora Barja
- 16 Ernesto Lim
- 17 Florinda R. Quiambao
- 18 Florinda R. Quiambao
- 19 Mariel Jose
- 20 Jose Lapitan Ong, Jr.
- 21 Lolita Monte
- 22 Edgardo Tim
- 23 Emelita B. Hasselman
- 24 Guillermo F. Gili
- 25 Josephine R. Ramos/Rufina Ramos
- 26 Rudolph Eugenio
- 27 James Melquisedec M. dela Cruz
- 28 Gregorio I. Calixto/Socorro Calixto
- 29 Stella B. Tejano
- 30 Annabelle Presillas Santiago
- 31 Rudolfo G. Alday
- 32 Valeriano Pedro O. Plantilla III
- 33 Alfredo B. Parungao
- 34 Nimfa R. Plantilla
- 35 Emilio M. dela Cruz/Queen dela Cruz
- 36 Emilio dela Cruz/Yolanda dela Cruz
- 37 Felicitas O. Plantilla

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 and areas: 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 activities; 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, PPhl. PPhl, 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 262 employees in its real estate business and is composed of the following: 56 are in administrative positions, 203 are in operations and 3 are senior officers. Compared to 2018, the number of employees increased by 7 in the operations group mainly because of the additional memorial park that was opened and launched in Butuan City in January 2019.

The subsidiary, PGI (including its subsidiary Oro Oxygen corporation or "OOC"), has 2,557 regular personnel, of which 644 are in the technical services group, 1,484 are in operations, 400 in administration and 29 are officers. A large increase of 1,374 personnel occurred in PGI (includes subsidiary OOC) in 2019 compared to the previous of 1,183 in 2018 due to the expansion of facilities in several regions, installation various refilling plants and sales centers nationwide, and the creation of the Home Delivery project (wherein customers could place & follow up their orders for LPG thru a hotline number). This again is in line with the objective of bringing its LPG products closer to the household consumers of LPG as well as to widen the scope of 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 production, transport of products, sales/marketing functions. The technical personnel are those who provide technical services/ assistance to gases production, LPG operations, cylinder maintenance and autogas operations.

The workforce numbers above 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 2020 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 where necessary 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 company's real estate business, marketing and operations are divided into two regions of Mindanao: 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 to their sales performance. Each region is responsible for periodically improving its marketing plans and to device 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, under the name PRYCEGAS, 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). However, PGI is a relatively new player in Luzon 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, PGI competes with numerous independent refilling plants all over Luzon.

PGI has increased its LPG storage capacity and, as of March 31, 2020, has aggregated to 34,082 metric tons (MT). This total capacity consists of import marine (sea-fed) 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 – 2019, its total storage capacity for its Vis-Min operations has increased to 23,671 MT. This is the biggest compared to any of its competitors in the Vis-Min area. In Luzon, PGI's 8,500-MT marine storage capacity is one among the three largest storage facilities,

which includes those of Liquigaz and SPI. On product distribution capability, PGI has built sixty-three (63) refilling plants strategically located in various parts of the country. The large capacities of its marine terminals and numerous refilling plants all over the country has enabled PGI to cover the market on a much wider scale and bring its LPG products closer to the consumer market. Moreover, the network of its import terminals and refilling plants gives PGI the flexibility to transfer its products to ensure continuity of supply in any area it operates so as to prevent stock-outs due to fortuitous events.

PGI sources its LPG from Asian suppliers that ship the LPG to its import terminals using marine carriers with capacities of 2,500-3,500 MT. The storage capacities of its terminals in Vis-Min could take a single-port discharge or a maximum of two-port discharge from a 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 reports that PGI has the following LPG market shares in the following regions per 2019: 24% in Mindanao, 20% in Visayas, and 10% 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 197,000 MT. It is the 2nd largest industry player in both the Visayas and Mindanao areas, and has a 22% market share of those areas combined.

PGI's industrial gas business (which accounts for less than 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 below 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 Shepherd 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. For instance, PGI’s San Fabian terminal in Luzon is also registered with the BOI and previously enjoyed tax incentives (which ended last December 31, 2018). 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:

	2019	2018	2017
Development Cost	1,180,093,869.	1,666,673,157	589,352,628
Percentage to Revenues	11.10%	16.22%	6.39%

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 related machinery and transport equipment.

Environmental Regulations

PGL'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 PGL and its operations in the future that could significantly affect PGL'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-qualified 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 mitigating) 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. PPhI 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 Brgy. 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. 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	465,535
	Tin-ao	190,891
	Del Carmen	11,937
	Mambatangan	681,153
Misamis Oriental		
	Sta. Ana	1,378,993
Malagos, Davao City		578,576
Polomolok, South Cotabato		67,521
Total		3,374,606

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 operations 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 (comprising Butuan and Surigao provinces), are currently supported by sea-fed terminals with storage capacities located in Balingasag, Misamis Oriental and Astorga, Davao del Sur, respectively. To serve the market in Western Mindanao, PGI has a marine terminal in Talisayan Zamboanga City. To complement these import terminals, PGI has refilling plants in the following areas: Agusan Del Norte (Butuan and Trento), South Cotabato (Polomok and Gen. Santos City); Aurora, Zamboanga del Sur; Tagum, Davao del Norte; Misamis Oriental (Mohon and Lugait); Davao City (Calinan and Dumoy); Mambatanganan-CDO; Don Carlos Bukidnon; Matalam, North Cotabato; Titay Zamboanga Sibugay; Davao City, Davao del Sur. These refilling plants are within convenient distances to large population centers and can 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 to Visayas, PGI built an import terminal in Sogod, Cebu to serve the growing LPG markets in Cebu and Bohol. To cover the Eastern Visayas markets, an import terminal in was also built in Albueria, Leyte. Two 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 installed several refilling plants in Pavia, Iloilo; Negros Occidental (Silay and Himamaylan); Canduman, Cebu City, Naga & Balamban in Cebu Province; Sta. Margrita, Samar, Mobo, Masbate, Ubay, Bohol, Bato, Leyte, New Kawayan, Tacloban City, Leyte.

In Luzon, PGI has a 8,500-MT marine-import terminal in San Fabian, Pangasinan to serve the LPG requirements of Luzon and NCR. This is complemented by a host of 38 refilling plants in Luzon and certain parts of NCR, with storage capacities ranging from 25 to 120 MT.

The aggregate LPG storage capacity of PGI, as of March 31, 2020, in terms of its sea-fed or marine terminals and inland refilling plants is 34,082 MT which covers the whole country as shown below.

Type	Region Location	Number	Capacity (MT)
LPG Marine Terminal	Luzon	1	8,500
	Visayas	4	12,790
	Mindanao	3	9,550

	Sub-totals	8	30,840
LPG Refilling Plants	Luzon	39	1,911
	Visayas	14	530
	Mindanao	18	801
	Sub-totals	71	3,242
		Total	34,082

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

Encumbered Assets

As had been discussed in several past disclosures under this topic the Company was able to settle all its debts with the creditor banks in a gradual manner during its corporate rehabilitation proceedings. Settlements were made through the following: a) implementation of the court- approved rehabilitation plan; b) pursuance of effective legal defenses against the opposition of creditor banks to the corporate rehabilitation; and c) settlement with certain creditors via sale of an encumbered asset with the consent of the Commercial Court.

As a result of the above-mentioned settlements 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 the termination of the aforesaid rehabilitation proceedings. Other assets mortgaged to China Banking Corp. (as part of the collateral of the Company's P200 million loan line with said bank) have been released from mortgage in 2014. Similarly assets which secured a short-term loan with BPI were also released from mortgage.

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 September 30, 2020. 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. 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: The SC in Order dated March 09, 2020 (which Pryce Corp. received on June 30, 2020) ordered the parties to inform the court of any developments that would have rendered the case moot and academic or which may be of help to the immediate disposition of the case. The Order was complied with on July 01, 2020 and informed the Court that there are no developments which affect the facts and issues that were alleged in Pryce's petition.

2. 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.

3. 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: NGCP was given 15 days from Jan. 18, 2018 to file necessary pleading in relation to PC proposal for just compensation; NGCP appears to have failed to comply with the Jan. 18 order; Pryce Corp. through counsel received an Entry of Appearance from NGCP's new counsel on July 10, 2018.

Cases involving directors and officers of Pryce Corporation:

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.

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: Again, 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.

LPGIA versus the Directors and Officers of Pryce Gases, Inc. and/or Oro Oxygen Corporation (re-check)
Provincial Prosecution Office of Rizal
NPS Docket No. XV-18M-INV-15H-03386

For: 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.

People of the Philippines vs. Rudy T. Abuyog, et al.
For: Violation of Sec. 2(a) in rel. to Sec. 3 (c) and Sec. 4, B. P. 33 as amended by PD 1865
Criminal Case No. 16-0186, Criminal Case No. 16-0187, Criminal Case No. 16-0188
Municipal Trial Court of Taytay

Nature: This case has its inception from NPS Docket No. XV-18M-INV-15H-03387 which culminated in the filing of criminal charges against the corporate officers.

Status: The Court approved the inclusion of additional officers for indictment. On 8 October 2018, all the other additional accused were arraigned and have posted bail. The initial presentation of prosecution evidence is set on 4 March 2019. After the presentation of prosecution evidence, the Accused filed a Demurrer to Evidence with Motion to Dismiss. The Demurrer to Evidence is still pending.

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 Taytay and Taguig cases, 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 were DISMISSED by the Cavite Prosecutor's Office. LPGIA filed a Petition for Review with the Department of Justice ("DOJ"). The Accused filed a Comment. The Petition is still pending with the DOJ.

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 Prosecutor 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 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.

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.

Republic Gas Corporation, rep. by: Wilbert R. Sanchez vs. Rafael P. Escano, Salvador P. Escano and Efren A. Palma
NPS Docket No. III-08-INQ-19-F-00208
Office of the City Prosecutor, Meycauayan, Bulacan
For: Trademark Infringement

Nature: Prior to this case, Republic Gas Corporation (REGASCO) secured a search warrant from the RTC Pasig City in another criminal case against Pryce Gas Meycauayan refilling plant alleging that Pryce Gases is committing trademark infringement. By virtue of the search warrant, REGASCO together with the CIDG, raided the Pryce Gas Meycauayan refilling plant. During the raid, LPG cylinders ostensibly bearing the trademark of REGASCO as inscribed in the handles of the LPG cylinders, were confiscated inside the refilling plant. The plant OIC/supervisor were arrested and a criminal case for Trademark Infringement were filed against them (docketed as P. v. Barug et al, Crim. Case No., 3215-M-2019). As an offshoot of that case, similar complaints for Trademark Infringement were filed against Salvador P. Escaño et al. in their official capacities as corporate officers of Pryce Gases Inc. even though no direct participation by the said officers could be inferred.

Status: The Office of the Prosecutor-Meycauayan directed Messrs. Salvador P. Escano et al. to submit their Counter Affidavits in the Complaint for Trademark Infringement filed by REGASCO. The Counter Affidavit was filed on December 19, 2019. The case is now submitted for resolution.

Republic Gas Corporation, rep. by: Efren J. Almojuela vs. Rafael P. Escano, Salvador P. Escano, and Efren A. Palma
NPS Docket No. XV-18m-INQ-19F-04363
Provincial Prosecution Office of Rizal, Taytay, Rizal;
For: Trademark Infringement,

Nature: Prior to this case, Republic Gas Corporation (REGASCO) secured a search warrant from the RTC Pasig City against Pryce Gas/Oro Oxygen Taytay refilling plant alleging that Pryce Gases is committing trademark infringement. By virtue of the search warrant, REGASCO together with the CIDG, raided the Pryce Gas/Oro Oxygen Taytay refilling plant. During the raid, LPG cylinders ostensibly bearing the trademark of REGASCO as inscribed in the handles of the LPG cylinders, were confiscated inside the refilling plant. The plant OIC/supervisor were arrested and a criminal case for Trademark Infringement (docketed as People vs. Rabago et al, Criminal Case No. 19-932) was filed against him. As an offshoot of that case, similar complaints for Trademark Infringement were filed against Salvador P. Escaño et al. in their official capacities as corporate officers of Pryce Gases Inc. before the Office of the City Prosecutor of Taytay, Rizal, even though their direct participation could not be inferred.

Status: The OCP Taytay dismissed the charges against Salvador P. Escaño et al. The case for Trademark Infringement was filed before the RTC Binangonan because there is no RTC at Taytay City. The Motion for Preliminary Investigation for RPE, SPE and EAP was denied. Warrant of arrest was issued. Bail was posted. We will file a Motion for Reconsideration to the Order denying the Motion for Preliminary Investigation upon receipt of the Order. The Motion to Quash Search Warrant is still pending.

People of the Philippines vs. Mr. Rudy T. Abuyog, Salvador Escano, et. al
Municipal Trial Court of Taytay

For: Violation of B.P. 33, Municipal Trial Court of Taytay

Nature: The LPG Industry Association (LPGIA) secured a search warrant from the RTC Pasig City against Pryce Gas/Oro Oxygen Taytay refilling plant alleging that Pryce Gases is committing trademark infringement. By virtue of the search warrant, LPGIA together with the NBI, raided the Oro Oxygen Taytay refilling plant. During the raid, LPG cylinders allegedly bearing the trademark of LPGIA-member companies were confiscated inside the Taytay refilling plant. A complaint for Trademark Infringement, and violation of BP. Blg. 33, and RA 5700, were filed against Mr. Rudy Abuyog (president) and other corporate officers of Oro Oxygen. The charges for Trademark Infringement and violation of RA 5700 were dismissed. An Information for violation of BP. 33 was filed against Mr. Rudy Abuyog, SPE and other corporate officers of Oro Oxygen. The criminal case was filed with the MTC Taytay.

Status: After the presentation of the prosecution's evidence, the Accused filed a Demurrer to Evidence with Motion to Dismiss. The Demurrer to Evidence is still pending.

LPG Industry Association vs. Mr. Raul R. Villanueva. et. al.

OCP Case no. XV-16-INV-15H-00628

Office of the City Prosecutor of Taguig City

For: Trademark Infringement, Violation of B.P. 33

Nature: The LPG Industry Association (LPGIA) secured a search warrant from the RTC Pasig City against Pryce Gas Taguig refilling plant alleging that Pryce Gases is committing trademark infringement. By virtue of the search warrant, LPGIA together with the NBI, raided the Taguig refilling plant. During the raid, LPG cylinders bearing the trademark of LPGIA-member companies were confiscated inside the Taguig refilling plant. A complaint for Trademark Infringement, and violation of BP. Blg. 33, and RA 5700, were filed against Mr. Rudy Abuyog (president) and other corporate officers of Oro Oxygen.

Status: The OCP Taguig DISMISSED all charges against the respondents. LPGIA filed its Motion for Reconsideration. The Respondents filed their Comment/Opposition to LPGIA's Motion for Reconsideration. LPGIA's Motion for Reconsideration is still pending.

LPG Industry Association vs. Mr. Raul R. Villanueva. et. al

OSEC-PR-RZL-2-051216-001

Office of the City Prosecutor of Taytay) Department of Justice

For: Trademark Infringement, Violation of B.P. 33

Nature: The LPG Industry Association (LPGIA) secured a search warrant from the RTC Pasig City against Pryce Gas/Oro Oxygen Taytay refilling plant alleging that Pryce Gases is committing trademark infringement. By virtue of the search warrant, LPGIA together with the NBI, raided the Oro Oxygen Taytay refilling plant. During the raid, LPG cylinders allegedly bearing the trademark of LPGIA-member companies were confiscated inside the Taytay refilling plant. A complaint for Trademark Infringement, and violation of BP. Blg. 33, and RA 5700, were filed against Mr. Rudy Abuyog (president) and other corporate officers of Oro Oxygen. The OCP Taguig resolved to dismiss all charges against SPE and other officers of Oro Oxygen but recommended the filing of an Information for violation of B.P. 33 as against Mr. Rudy Abuyog, in his capacity as the president of Oro Oxygen. The case was filed with the MTC Taytay.

LPGIA filed a Petition for Review with the DOJ questioning the OCP Taytay's dismissal of the charges against Salvador Escaño et al. The DOJ reversed the OCP Taytay and recommended the filing of B.P. 33 charges

against Salvador Escaño et al. An Amended Information was filed with the MTC Taytay thereby impleading Messrs. Salvador Escaño et al., as additional accused.

The Respondents filed a Motion for Reconsideration questioning the DOJ's Resolution.

Status: The DOJ partially granted LPGIA's Petition for Review and indicted additional respondents for violation of BP 33. The Respondents filed a Motion for Partial Reconsideration. In turn, LPGIA also filed its Motion for Partial Reconsideration, Respondents filed their Comment/Opposition thereto. The incidents are still pending with the DOJ.

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 years 2019 and 2020.

Year	High	Low
<u>2019</u>		
First Quarter	6.13	5.75
Second Quarter	5.80	4.62
Third Quarter	7.38	4.80
Fourth Quarter	5.56	4.88
<u>2020</u>		
First Quarter	5.26	3.80
Second Quarter	4.77	4.00
Third Quarter	4.34	4.00
Fourth Quarter	5.60	4.00

The last trading date of for 2020 is December 29, 2020, wherein the closing price of PPC shares was at Php 5.01, with a high of Php 5.05 and a low of Php 4.92.

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.

Public Ownership of PC shares as of December 31, 2020

	<i>% to Total Outstanding Shares</i>	<i>Number of Shares</i>
Total Outstanding & Issued Shares	100%	1,940,637,369
Less:		
Directors & Sr. Officers	3.12%	60,457,965
Affiliates	23.72%	460,173,464
Sub-total	26.84%	520,631,429
Shares owned by the public	73.16%	1,420,005,940

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 December 30, 2020, the company has 359 stockholders, with 97.93% of the outstanding shares 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. The top 20 shareholders listed below comprise 99.57% shares of the 1,940,,637,369 outstanding shares of the outstanding shares per report of the stock transfer agent.

Top 20 Shareholders as of December 31, 2020 (see table below)

Rank	Shareholder's name	Total holdings subscribed	Percentage to total Outstanding Shares
1	GUILD SECURITIES, INC.	1,017,140,468	52.41%
2	PCD NOMINEE CORPORATION	440,921,626	22.72%
3	HINUNDAYAN HOLDINGS CORP.	160,708,000	8.28%
4	JOSEFINA MULTI VENTURES CORPORATION	133,114,512	6.86%
5	PRYCE DEVELOPMENT CORPORATION	61,800,000	3.18%
6	PCD NOMINEE CORP. (NON FILIPINO)	40,023,312	2.06%
7	SALVADOR P. ESCANO	33,492,660	1.73%
8	SOL F. ESCANO	27,909,000	1.44%
9	CBC T/A #501-0091	4,528,720	0.23%
10	JGF HOLDINGS, INC.	3,221,427	0.17%
11	NOTRE DAME OF GREATER MANILA	2,300,000	0.12%
12	PRYCE PLANS, INC.	1,830,000	0.09%
13	SALVADOR P. ESCANO ITF PRYCE DEVELOPMENT CORP.	1,684,450	0.09%
14	PRYCE SECURITIES, INC.	1,008,000	0.05%
15	JACK &/OR FRANK GAISANO &/OR EDWARD &/OR MARGARET GAISANO	575,000	0.03%
16	EDNA A. TORRALBA	490,000	0.03%
17	CBC T/A #501-0091 FAO: PPI	450,000	0.02%
18	FERNANDO L. TRINIDAD ITF PRYCE DEVELOPMENT CORP.	417,000	0.02%
19	LUIS C. NG	322,000	0.02%
20	MICHAEL ANGELO P. LIM &/OR BIENVENIDO U. LIM	310,000	0.02%

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 P0.04 per share to stockholders on record as of January 25, 1995 and P0.03 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 is however 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 has declared cash dividends on the following dates: December 22, 2017; June 7, 2018; December 14, 2018; May 17, 2019; December 6, 2019 and May 18, 2020. The latest cash dividend declaration was on November 27, 2020. All of these cash dividends were sourced from unrestricted retained earnings of the company and were each paid at the rate of Php 0.12 per common share.

Shares' 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.

On November 27, 2020, the Board of Directors of the Company approved the extension of the above-said buy-back program until the earmarked funding of Php 500 million has been spent for the purpose, given that there was an unspent balance of Php 109,611,772.70.

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

	2019	2018
% Growth in Revenues: 3.48%	Php 10.63 billion	Php 10.27 billion
% Sales Volume Growth (LPG): (8.95%)	219,884 MT	201,826 MT
Price movement (LPG):	Php 43.62 /kg.	Php 45.77/kg.
% Growth in Gross Margin: 15.89%	Php 2,892.2 million	Php 2,495.6 million
% Increase in Income: 8.27%	Php 1,519.0 million	Php 1,403.0 million
Current ratio	1.54	1.65
Total Debt-to-Equity ratio	0.46	0.41

PC (consolidated) for the interim period of 3rd Qtr

	3rd Qtr 2020	3rd Qtr 2019
% Growth in Revenues: 14.03%	Php 8.994 billion	Php 7.887 billion
% Sales Volume Growth (LPG): 9.53%	178,052 MT	162,559 MT
Price movement (LPG):	Php 44.86/kg.	Php 43.69 /kg.
% Growth in Gross Margin: 23.67%	Php 2.405 billion	Php 1.945 billion
% Increase in Income: 1.24%	Php 1.2222 billion	Php 1.207 billion
Current ratio	1.69	1.75
Total Debt-to-Equity ratio	0.41	0.38

	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

Q3 2020 compared to Q3 2019 (Quarterly)

The consolidated revenues of the company rose to Php 8.994 billion for the period ended September 30, 2020, which is 14.03% higher than last year's Php 7.887 billion. The increase in gross revenues is largely explained by the growth in sales volume of LPG content. Over the same period, net income also increased to Php 1.222 billion from Php 1.207 billion in 2019, a percentage growth of 1.24%.

Real estate sales and development is the business of the Parent Company, Pryce Corporation. LPG products (LPG, cylinders & accessories) and industrial gases are the product lines of Parent Company's subsidiary, Pryce Gases, Inc. (PGI) under the PryceGas brand. Vitamins and some over-the-counter pharmaceutical products are handled by Pryce Pharmaceuticals, Inc., another subsidiary of PPC. Oro Oxygen Corporation (OOC), a wholly-owned subsidiary of PGI, handles the same products as PGI's, but operates only in Luzon.

Revenues and Volume Growth

Compared to year-ago figures, consolidated revenues grew by 14.03% to Php 8.994 billion from Php 7.887 billion. This growth in revenues was primarily due to the 15.45% increase in LPG revenues, which accounts for more than 90% of the company's revenues. LPG revenues consist of sales of LPG content, cylinders, LPG generators, and LPG stoves & accessories. Consolidated revenues broken down by product line are as follows: liquefied petroleum gas (LPG) products, Php 8.527 billion (or 94.81% of total); industrial gases, Php 323.97 million (3.6%); real estate sales, Php 100.26 million (1.11%); and pharmaceutical products, Php 42.47 million (0.47%).

Sales volume of LPG content (cooking gas) increased by 9.5%, from 162,559 metric tons in 2019 to 178,052 metric tons in 2020. In terms of peso sales, LPG products increased by 15.45% from Php 7.386 billion to Php 8.527 billion.

Due to the effects of the continuing pandemic, industrial gas sales declined by 5.12% to Php 323.97 million compared to the year-before figure of Php 341.46 million. Total sale of industrial gas cylinders similarly decreased by 9.08% to 809,692 cylinders from last year's 890,544 cylinders.

The real estate segment contributed Php 100.26 million to the group's revenues, which is 18.25% lower than the previous year's Php 122.65 million since the latter includes sale of office condo units in Davao. Pharmaceutical products added Php 42.47 million, 13.80% higher than the year-ago sales figure of Php 37.32 million.

Price Movement and Market Demand

Owing to the Coronavirus Pandemic, which caused a drastic fall in global LPG demand, the average international LPG contract price ("CP") during the period under review dropped to U.S.\$ 394.28 per metric ton, 10.23% lower than 2019's U.S.\$ 439.22 per metric ton over the same period. The peso-sale of LPG content would have been higher had it not been for such drop in average CP and, consequently, of local LPG prices.

The country's LPG demand for the first half of 2020 was 845 thousand metric tons, 4.7% lower than 2019's 887 thousand metric tons, as shown by data from the Department of Energy (DOE).

Competition and Market Share

PGI is currently the 2nd biggest player in both the Visayas and Mindanao (Vis-Min) areas and has a combined market share of 24%. On a country-wide basis, PGI has a 12.50% share of the local LPG market

demand, equivalent to 105,000 metric tons. These data are based on the DOE's report as of the first semester of 2020.

Profitability

Total gross margin by the 3rd quarter of 2020 reached Php 2.405 billion, 23.67% higher than the previous year's Php 1.945 billion.

Income from operations this year was Php 1.456 billion and is 20.58 % higher than last year's figure of Php 1.207 billion. After considering other income, as well as other expenses and the provision for income tax, the after-tax net income resulted to Php 1.222 billion for the year, 1.24% higher than last year's Php 1.207 billion. Earnings per share similarly increased to Php 0.5732 per share from Php 0.5528 per share.

Notwithstanding the Coronavirus Pandemic, the management still sees the last quarter as the strongest in terms of LPG sales and income because of the December festivities/holidays.

Liquidity

Total liquid assets of the company as of September 30, 2020 reached Php 2.360 billion, which consists of Cash of Php 1.254 billion and Financial Assets at fair value of Php 1.106 billion. This is 9.42% higher than the Php 2.157 billion recorded as of yearend 2019 based on audited accounts.

Current ratio as of the end of the third quarter of 2020 was at 1.69 and total debt-to-equity ratio registered at 0.41.

Balance Sheet Changes

Compared to the December 31, 2019 audited financial statements, the significant movements in balance sheet accounts are as shown below.

Account Name	% Increase or (Decrease)	Reason for Change
Cash	12.49%	Due to the income for the period
Financial assets at fair value	6.13%	Due to increase in market value of marketable securities and additional purchases
Trade and other receivables	16.58%	Increase in credit sales and slowdown of collection
Inventories	5.35%	Due to increase in importation
Real estate projects	5.06%	Due to proper classification of account and minor additions

Prepayments and other current assets	(34.99%)	Application of input VAT and amortization of prepayments
Advances to related parties	5.38%	Additional availment of advances and products by affiliates
Right-of-use asset	(8.57%)	Amortization on right-of-use asset on leasehold
Trade and other payables	18.59%	Increase in purchases and various accruals
Dividends payable	(92.89%)	Due to payment of dividends
Income tax payable	(40.07%)	Payment of income tax
Lease liabilities (current)	11.15%	Accrual of finance cost
Retirement benefit obligation	(30.59%)	Due to payment/ additional contribution to retirement fund
Lease liabilities (net of current portion)	(9.56%)	Due to payment of lease liabilities
Retained earnings	19.69%	Due to net income of 2020
Treasury stock	92.06%	Due to additional buy back of Parent Company's shares
Non-controlling interest	14.67%	Due to increase in net income

Numerical Performance Indicators

The measures of revenue growth are presented below.

REVENUE GROWTH			
Pryce Corporation & Subsidiaries			
	2020	2019	Percent Growth/ (Decline)
REVENUE	8,993,585,528	7,887,005,575	14.03%

VOLUME GROWTH			
Principal Product – Liquefied Petroleum Gas (LPG) in metric tons			
	2020	2019	Percent Growth/ (Decline)
LPG Content (in	178,052	162,559	9.53%

Measurements on profitability are shown below.

	2020 (Sept. 30, 2020)	2019 (Sept. 30, 2019)
Return on Assets (%)	11.50%	12.17%
Return on Equity (%)	17.20%	17.66%
Net profit margin (%)	16.78%	18.21%

The measurements on liquidity are shown below.

LIQUIDITY		
Pryce Corporation & Subsidiaries		
	2020	2019
Current ratio	1.69	1.75
Debt to equity ratio	0.41	0.38

Results of Operations (Annual)

2019 Compared to 2018

Pryce Corporation and its subsidiaries posted a consolidated net income of P1.519 billion for the year 2019, which is 8.26% higher than the previous year's P1.403 billion. The Php 1.519-billion net income is within range of the company's target.

Revenue contribution by product line is as follows: Liquefied petroleum gas (LPG as fuel) and related LPG products – P10 billion (94.06% of total); Industrial gases – P452.30 million (4.25%); Real estate sales – P128.1 million (1.21%); and Pharmaceutical products – P51.0 million (0.48%).

LPG under the PryceGas brand and industrial gases are product lines of the subsidiary, Pryce Gases, Inc. (PGI). Real estate sales are under the holding company Pryce Corporation while 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 (also under PryceGas brand) and industrial gases in Luzon. PGI and PPhI are subsidiaries of Pryce Corporation.

Revenue and Volume Growth

The Company's 2019 topline of Php 10.630 billion is a 3.48% increase over last year's Php 10.273 billion. Liquefied petroleum gas (LPG) is the group's principal product, along with its cylinders & accessories and LPG gensets. It accounted for 94% of total revenues, whereas the remaining revenues were accounted for by sales of industrial gases, real estate, and pharmaceutical products (as discussed above). The modest revenue growth is largely explained by the lower average international LPG contract price (CP) of US\$439.5/MT during the year.

LPG sales volume grew 8.95% to 219,884 metric tons (MT) from year-ago volume of 201,826 MT. The company's Luzon operations achieved a 9.42% growth in sales volume, a little higher than the 8.35% growth in the combined sales performance of the company's operations in the Visayas and Mindanao areas.

Industrial gases registered a 7.12% increase in revenues to P452.30 million in 2019 from P422.25 million in 2018 and a 10.85% increase in volume of cylinder refills.

Revenue from real estate, however, dropped to P128.14 million in 2019 from P227 million in 2018 since the latter figure included sale of office condominium units which was absent in 2019. Pharmaceuticals' revenues achieved an increase of 15% to P51.02 million in 2019.

Price Movement and Market Demand

The international price of LPG, referred to as the Contract Price or CP, had a downtrend in 2019 compared to 2018. Average CP of US\$540.04 per MT in 2018 slipped to US\$439.54 per MT in 2019. The softening of world prices translated into lower price of LPG to consumers and industrial users. Department of Energy's (DOE) for 2019 data show that the combined demand for LPG of Luzon and NCR comprise about 78% of the country's total demand; the balance of 22% is accounted for by the combined demand of the Visayas and Mindanao areas.

DOE's 2018 demand data for LPG was 1,797,000 metric tons. Latest data from the DOE shows that in 2019, the country's market demand is 1,823,000 metric tons. This growth in demand can be largely explained by lower local price of LPG and strong household incomes amid a strong economy in 2019.

Competition and Market Share

Latest 2019 statistics from the Department of Energy showed PGI as a major player to be reckoned with in the Philippine LPG industry. PGI has a 10% market share in Luzon, 20.4% in Visayas and 24.1% in Mindanao. If the markets of Visayas and Mindanao are to be combined, PGI comes out as the 2nd major player after Petron (Gasul). Overall, PGI has a market share of 11% of the total Philippine market.

It must be noted that Luzon (NCR included) is a highly competitive market with five (5) marine terminal operators (including PGI) doing business alongside more than a hundred independent small to medium-size LPG refillers that sell branded or generic LPG sourced from said terminal operators.

Over recent years, PGI has endeavored to continually increase its market share by building more marine terminals, refilling plants, sales centers, and implementing strategic initiatives designed to widen the scope of its market and bring its LPG products closer to the consumers.

Profitability

The company has managed to end 2019 with an 8.26% increase in net income to P1.519 billion from P1.403 billion in 2018. Operating income grew by 11.73% from P1.617 billion in 2018 to P1.807 billion in 2019. Other income and charges amounting to P149.84 million buoyed income from operations, resulting in an income before tax of P1.957 billion which is 13.86% higher than P1.719 billion achieved in 2018.

The earnings per share based on 2019 comprehensive income of P0.6919 per share is an 8.8% improvement over the P0.6363 per share recorded in 2018.

Liquidity

Total liquid assets as of yearend 2019 is P2.16 billion, consisting of P1.11 billion in cash and P1.04 billion in financial assets at fair value (equity securities), represents a 30.4% growth over the P1.65 billion balance in 2018. Current ratios exhibited a slight decrease from 1.65x in 2018 to 1.54x in 2019.

Balance Sheet Changes

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

Account Name	% Increase or (Decrease)	Reason for Change
Cash	31.30%	Increase in income and availment of short-term loans
Financial assets at fair value	29.46%	Increase in market value and new acquisition of marketable securities
Trade and other receivables	12.85%	Increase in revenues and credit sales
Inventories	15.14%	Increase in sales volume and increase in LPG importation
Prepayments and other current assets	81.64%	Increase in rental and other deposits and advance payment of local taxes

Advances to related parties	(61.70%)	Collections from related parties
Property plant and equipment	10.48%	Due to additional CAPEX
Deferred Tax assets	100.77%	Additional recognition of deferred tax assets
Trade and other payables	18.78%	Due to increase in purchases and various accruals
Income Tax payable	58.01%	Increase in net income
Customers' deposits	(4.07%)	Due to increase in collection of deposits for real estate products
Short-term debts	45.91%	Additional availment of short term loan
Retained earnings	26.60%	Due to net income of 2019
Other comprehensive income	(5.08%)	Recognition of appraisal increment
Treasury stocks	2957.86%	Due to buy back of parent company's shares
Non-controlling interest	14.59%	Due to increase in net income

Numerical Performance Indicators

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

REVENUE GROWTH			
Pryce Corporation & Subsidiaries			
	2019	2018	Percent Growth/ (Decline)
REVENUE	Php 10,630,299,264	Php 10,272,904,539	3.48%

VOLUME GROWTH			
Principal Product – Liquefied Petroleum Gas			
	2019	2018	Percent Growth/ (Decline)
LPG (in kgs)	219,883,572	201,825,770	8.95%

The measures of profitability are shown below.

PROFITABILITY			
Pryce Corporation & Subsidiaries			
	2019	2018	Percent Growth/ (Decline)
Return on Assets (%)	16.21%	16.30%	-0.52%
Return on Equity (%)	24.24%	23.42%	3.53%
Net profit margin (%)	18.41%	16.73%	10.03%

The liquidity and solvency measurements are shown below:

LIQUIDITY		
Pryce Corporation & Subsidiaries		
	2019	2018
Current ratio	1.54	1.65
Debt to equity ratio	0.46	0.41

Plans and Prospects

The Company's memorial park business did better in 2019 by posting Php 128.1 million in revenues compared to 2018's Php 117.0 million (i.e., excluding the sale of the office condo units in 2018). This is due to aggressive sales efforts and the contribution of the latest memorial park in Butuan that was launched in January 2019. Management believes that the memorial park sales will do better in 2020 notwithstanding the coronavirus pandemic.

In 2019, PGI completed the construction of 13 new refilling plants nationwide: 5 in Luzon, 4 in Visayas and 4 in Mindanao. The storage capacities of certain marine-import terminals in Ayungon, Ajuy, and Talisayan were each increased by 2,000 metric tons. For the year 2020, there will be further expansions such as a new marine-import terminal in Lugait, Misamis Oriental and three additional refilling plants in the Visayas and Mindanao areas. The installation of more sales centers will continue in 2020. The objective, of course, of these expansions is to widen the scope and reach of PGI's LPG business thereby making its LPG products more accessible to the consumers.

As of this writing, the government-imposed Enhanced Community Quarantine (ECQ) is now more than 2 months old. Management observes that PGI's sales volume of LPG (cooking gas) has not been adversely affected by the ECQ. In fact, since the ECQ's implementation, sales volume has increased. This phenomenon may be explained by the fact that consumers were forced to stay indoors and cook their food at home as opposed to the pre-ECQ inclination of many to dine out or eat at hotels, malls and restaurants, which were closed during the ECQ.

In recent years, the Company has made five (5) declarations of cash dividends since December 2017. The latest one was declared in May 18, 2020. Prospectively, the Company intends to regularly declare cash dividends on a semestral basis.

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

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% translating 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 (or 93.82% of total); 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%).

LPG under the PryceGas brand and industrial gases are product lines of PGI, real estate sales and hotel operations (that was closed on December 31, 2016) are under the holding company Pryce Corporation while pharmaceutical products (vitamins and supplements) are the products of Pryce Pharmaceuticals, Inc. (PPhl). Oro Oxygen Corporation (OOC), a subsidiary of PGI, is engaged in the marketing and distribution of LPG and gases in Luzon. PGI and PPhl are direct subsidiaries of Pryce Corporation.

Revenue and Volume Growth

LPG sales volume registered an increase of 10.88% (210,166 metric tons in 2017 from 189,551 metric tons in 2016), primarily due to the VisMin market. Sales in the VisMin regions experienced a 22% year-on-year volume growth as compared to about 4% volume growth in Luzon. LPG contract prices (CP) during the year likewise contributed to the revenue growth. CP was 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 Php 391.50 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

The 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 per MT, or 42% higher than the average US\$346.08 per MT in 2016.

Notwithstanding the sharp increases in LPG prices, LPG demand in 2017 grew by 9.5% from 1.485 million metric tons to 1.626 million metric tons as reported by the Department of Energy (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 slightly dipped by 0.14% and 0.68%, respectively. Sales volume of oxygen grew by 3.55%, while that of acetylene shrank by 4.65%; however, other gases 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 (4) 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 construction and operation of 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, representing 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 1,266,831,312 after taking into account a remeasurement gain on retirement benefit obligation (net of tax) of Php 14,884,981.

Liquidity

Total liquid assets as of yearend 2017 amounted to P1.54 billion. It represents 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

Numerical Performance Indicators

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

REVENUE GROWTH			
Pryce Corporation & Subsidiaries			
	2017	2016	Percent Growth/ (Decline)
REVENUE	Php 9,226,508,097	Php 6,722,160,460	37.26%

VOLUME GROWTH			
Principal Product – Liquefied Petroleum Gas			
	2017	2016	Percent Growth/ (Decline)
LPG (in kgs)	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

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 on June 28, 2019 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) Arnold L. Barba – *Chair* (Independent Director)
- (ii) Xerxes Emmanuel F. Escaño – Member
- (iii) Gener T. Mendoza – 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) Gener T. Mendoza – 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 2019, 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 submitted its Integrated Annual Corporate Governance Report (I-ACGR) for 2019 in July 2020. (Incorporated by references, in the I-ACGR, are the Company's Revised Manual on Corporate Governance and Sustainability Report, which can be seen at the Company's website: www.pryce.com.ph).

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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

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

Contact Person

(02) 8 899-4401

Company Telephone Number

1	2
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Month

3	1
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Day

Fiscal Year

A	F	S		
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FORM TYPE

0	6
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Month

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Day

ANNUAL MEETING

Secondary License Type, if Applicable

M	R	S	D
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Dept. Requiring this Doc.

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Amended Articles Number/Section

359 (as of Apr. 30, 2020)

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

[illegible]

Document I.D.

LCU

Cashier

STAMPS

STAMPS



Josema Ordenes <josema.ordenes@prycecorp.com>

Pryce Corporation SEC 17-A (Annual Report & Audited FS) and Sustainability Report_June 30, 2020

8 messages

Josema Ordenes <josema.ordenes@prycecorp.com>

Tue, Jun 30, 2020 at 7:25 PM

To: cgfd@sec.gov.ph, msrd_covid19@sec.gov.ph

Cc: Efren Palma <efren.palma@prycegases.com>, Christine Desiree Caina <christine.caina@prycegases.com>, Earl Christian Lerio <earl.lerio@prycegases.com>, Alan Ascabano <alan.ascabano@prycecorp.com>, Elvira Clemente <elvira.clemente@prycecorp.com>

Securities & Exchange Commission

Attention: Corporate Governance & Finance Dept. and Market Securities Regulation Dept.

Gentlemen:

Pryce Corporation hereby submits to the SEC via email the attached documents consisting of the Annual Report for 2019 and Sustainability Report (2019), along with the relevant Consolidated Audited Financial Statements .

The attached documents were sent via courier ref. Libcap Waybill No. 205950, as attached.

Respectfully,

Pryce Corporation

Jose Ma. C. Ordenes
Treasurer; Corporate Information & Compliance Officer
Sr. Vice President

cc: EAPalma, ECLerio, CTCaiña, ABAscabano, EVClemente

4 attachments



Pryce Corp. SEC-17A_June 30, 2020.pdf
8234K



PRYCE CORP AFS_BIR-Stamped 2019.pdf

4546K

**Pryce Corp._Online Certification SEC 17-A 30.June.2020.pdf**

461K

**Libcap Waybill #205950 - SEC 17-A 2019.pdf**

472K

Josema Ordenes <josema.ordenes@prycecorp.com>

Wed, Jul 1, 2020 at 5:11 PM

To: cgfd@sec.gov.ph, msrd_covid19@sec.gov.ph

Cc: Efren Palma <efren.palma@prycegases.com>, Alan Ascabano <alan.ascabano@prycecorp.com>,

Christine Desiree Caina <christine.caina@prycegases.com>, Earl Christian Lerio

<earl.lerio@prycegases.com>, Elvira Clemente <elvira.clemente@prycecorp.com>,

mtsposadas@sec.gov.ph

Securities & Exchange Commission

Attention: Corporate Governance & Finance Dept. and Market Securities
Regulation Dept.

Gentlemen:

Since we did not receive an acknowledgement from you, we are submitting again via email the attached Annual Report for 2019, Consolidated Audited Financial Statements, and Sustainability Report (2019), which were emailed yesterday June 30, 2020. Attached too is yesterday's proof of receipt by a courier, i.e., Libcap Waybill No. 205950.

Thank you.

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4 attachments

**PRYCE CORP AFS_BIR-Stamped 2019.pdf**

4546K

**Pryce Corp._Online Certification SEC 17-A 30.June.2020.pdf**

461K

**Libcap Waybill #205950 - SEC 17-A 2019.pdf**

472K

**Pryce Corp. SEC-17A_June 30, 2020.pdf**

8253K

Mail Delivery Subsystem <mailer-daemon@googlemail.com>

Wed, Jul 1, 2020 at 8:47 PM

To: josema.ordenes@prycecorp.com



Recipient inbox full

Your message couldn't be delivered to **cgfd@sec.gov.ph**. Their inbox is full or it's getting too much mail right now.

[LEARN MORE](#)

The response was:

452 4.2.2 The email account that you tried to reach is over quota. Please direct the recipient to https://support.google.com/mail/?p=OverQuotaTemp_t11sor19242870plz.29
- gsmtip

Final-Recipient: rfc822; cgfd@sec.gov.ph

Action: failed

Status: 4.2.2

Diagnostic-Code: smtp; 452-4.2.2 The email account that you tried to reach is over quota. Please direct 452-4.2.2 the recipient to

452 4.2.2 https://support.google.com/mail/?p=OverQuotaTemp_t11sor19242870plz.29 - gsmtip

Last-Attempt-Date: Sat, 04 Jul 2020 02:42:54 -0700 (PDT)

----- Forwarded message -----

From: Josema Ordenes <josema.ordenes@prycecorp.com>

To: cgfd@sec.gov.ph, msrd_covid19@sec.gov.ph

Cc: Efren Palma <efren.palma@prycegases.com>, Alan Ascabano <alan.ascabano@prycecorp.com>, Christine Desiree Caina <christine.caina@prycegases.com>, Earl Christian Lerio <earl.lerio@prycegases.com>, Elvira Clemente <elvira.clemente@prycecorp.com>, mtsposadas@sec.gov.ph

Bcc:

Date: Wed, 1 Jul 2020 17:11:48 +0800

Subject: Fwd: Pryce Corporation SEC 17-A (Annual Report & Audited FS) and Sustainability Report_June 30, 2020

----- Message truncated -----

MSRD COVID19 <msrd_covid19@sec.gov.ph>

Mon, Jul 6, 2020 at 12:33 PM

To: Josema Ordenes <josema.ordenes@prycecorp.com>

Cc: CGFD Account <cgfd@sec.gov.ph>, Efren Palma <efren.palma@prycegases.com>, Christine Desiree Caina <christine.caina@prycegases.com>, Earl Christian Lerio <earl.lerio@prycegases.com>, Alan Ascabano <alan.ascabano@prycecorp.com>, Elvira Clemente <elvira.clemente@prycecorp.com>, "Maria Theresa S. Posadas" <mtsposadas@sec.gov.ph>, "CATHERINE E. GALIZA" <cegaliza@sec.gov.ph>

Dear Sir/Madam,

Acknowledging receipt of your email with attachments.

Thank you.

Regards,

MARKETS AND SECURITIES REGULATION DEPARTMENT
PHILIPPINE SECURITIES AND EXCHANGE COMMISSION

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Pryce Corporation and Subsidiaries

***Consolidated Financial Statements
December 31, 2019 and 2018 and
For Each of the Three Years in the
Period Ended December 31, 2019***

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, 2019 and 2018, 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 26th day of June, 2020

JUN 30 2020

SUBSCRIBED AND SWORN to before me this _____ **day of** _____

City, affiant exhibited to me Gov't ID No. _____


ATTY. JOSHUA P. LAPUZ

Notary Public, Makati City

Until Dec. 31, 2021

Appointment No. M-66-(2020-2021)

PTR No. 8116016 Jan. 2, 2020 / Maka

IBP Lifetime No. 04897 Roll No. 45791

MCLE Compliance No. VI-0016565

G/F Fedman Bldg., 199 Salcedo St.

Legaspi Village, Makati City

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Book No. 1B
Series nnw

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, 2019 and 2018, 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, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019, in accordance with Philippine Financial Reporting Standards (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.

Global Reach, Global Quality

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Davao Office : 3rd Floor Building B Plaza De Luisa, Ramon Magsaysay Avenue, Davao City 8000 Philippines • Phone/Fax: +63(82) 222 6636
Palawan Office : 2F MRC Building, Pineda Road, Brgy. San Pedro, Puerto Princesa City, Palawan 5300 Philippines • Phone +63(48) 716 1580
Website : www.dmdcpa.com.ph

Revenue Recognition of Real Estate Sales

The Group's revenue recognition process, policies and procedures on real estate sales are significant to our audit because these involve application of significant judgments and estimates to: (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 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 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.

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.

Goodwill impairment assessment

The Group has goodwill amounting to P70.67 million related to acquisition of Pryce Gases, Inc. and Pryce Pharmaceuticals, Inc. The annual impairment test was significant to our audit as the assessment process is complex by nature and is based on management's judgment and assumptions.

Management has concluded that the goodwill is not impaired. This conclusion was based on a value in use model that required significant management judgment with respect to the discount rate and the underlying cash flows, in particular future revenue growth.

Our procedures in relation to the management's impairment assessment included: Assessing the valuation methodology, Challenging the reasonableness of key assumptions based on our knowledge of the business and industry, and Reconciling input data to supporting evidence such as approved budgets and considering the reasonableness of these budgets. We found the assumptions made by management in relation to the value in use calculations to be reasonable based on available evidence. The significant inputs have been appropriately disclosed in note 13.

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, 2019, 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, 2019 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.

The engagement partner on the audit resulting in this independent auditors' report is Elirie S. Arañas.

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. 8147696, January 18, 2020, Makati City

BIR Accreditation No. 08-001911-011-2019, effective until March 27, 2022

June 30, 2020

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Financial Position

As at December 31

	2019	2018 - as restated
ASSETS		
Current assets		
Cash - note 4	P1,114,563,626	P848,846,339
Financial assets at fair value through profit or loss (FVPL) - note 5	1,042,561,957	805,336,648
Trade and other receivables - note 6	380,324,620	337,009,782
Inventories - note 7	1,234,397,458	1,072,070,705
Real estate projects - note 8	842,566,291	816,037,022
Prepayments and other current assets - note 9	136,201,481	74,985,424
	4,750,615,433	3,954,285,920
Noncurrent assets		
Advances to related parties - note 21	50,343,485	131,444,881
Property, plant and equipment (net) - notes 10 and 11	7,726,703,455	6,993,581,230
Investment properties - note 12	389,328,616	389,328,616
Right-of-use assets - note 34	74,703,747	-
Deferred tax assets - note 29	70,618,411	35,174,217
Goodwill - note 13	70,668,305	70,668,305
Other non-current asset - note 14	44,898,060	21,087,974
	8,427,264,079	7,641,285,223
TOTAL ASSETS	P13,177,879,512	P11,595,571,143
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables - note 15	P1,212,909,745	P1,021,138,260
Short-term debts - note 17	1,320,612,069	905,078,052
Dividends payable - note 20	251,486,815	248,653,686
Customers' deposits - note 16	104,873,353	109,324,422
Lease liabilities (current) - note 34	13,616,354	-
Income tax payable	184,030,560	116,468,529
	3,087,528,896	2,400,662,949
Noncurrent liabilities		
Retirement benefits obligation - note 28	114,913,775	117,247,393
Lease liabilities (noncurrent) - note 34	66,344,820	-
Deferred tax liabilities - note 29	716,282,230	714,111,829
	897,540,825	831,359,222
Total liabilities	3,985,069,721	3,232,022,171
<i>(Forward)</i>		

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Financial Position

	As at December 31	
	2019	2018
		- as restated
<i>(Continued)</i>		
Equity		
Equity attributable to equity holders of the Parent Company		
Capital stock - note 18	2,024,500,000	2,024,500,000
Additional paid-in capital	369,834,820	369,834,820
Retained earnings	4,904,623,195	3,874,083,133
Other comprehensive income - note 27	1,556,503,464	1,639,781,107
Treasury stocks - note 19	(191,622,697)	(6,266,563)
	8,663,838,782	7,901,932,497
Non-controlling interest	528,971,009	461,616,475
Total equity	9,192,809,791	8,363,548,972
TOTAL LIABILITIES AND EQUITY	₱13,177,879,512	₱11,595,571,143

(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		
	2019	2018	2017
REVENUES - note 22			
Liquefied petroleum gases, industrial gases and fuels	P10,451,137,522	P10,001,541,311	P9,048,113,676
Real estate	128,139,054	226,995,376	139,414,929
Pharmaceutical products	51,022,688	44,367,852	38,979,492
	10,630,299,264	10,272,904,539	9,226,508,097
COST OF SALES - note 23			
Liquefied petroleum gases, industrial gases and fuels	7,675,462,201	7,684,471,818	6,946,859,035
Real estate	28,776,187	62,899,417	33,809,725
Pharmaceutical products	33,854,266	29,902,625	27,080,705
	7,738,092,654	7,777,273,860	7,007,749,465
GROSS PROFIT	2,892,206,610	2,495,630,679	2,218,758,632
OPERATING EXPENSES - note 24			
Selling expenses	532,082,007	405,743,995	374,691,340
General and administrative expenses	552,932,490	472,402,488	470,608,380
	1,085,014,497	878,146,483	845,299,720
INCOME FROM OPERATIONS	1,807,192,113	1,617,484,196	1,373,458,912
OTHER INCOME (CHARGES)			
Finance costs - note 25	(52,579,062)	(34,178,845)	(31,460,634)
Fair value gain (loss) - note 5	43,071,659	(47,020,829)	37,321,484
Other income - note 26	159,342,549	182,563,215	158,403,895
	149,835,146	101,363,541	164,264,745
INCOME BEFORE INCOME TAX	1,957,027,259	1,718,847,737	1,537,723,657
INCOME TAX EXPENSE - note 29	(438,191,322)	(315,874,038)	(285,777,326)
NET INCOME FOR THE YEAR	1,518,835,937	1,402,973,699	1,251,946,331
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gain (loss) on retirement benefit obligation (net of tax)	-	-	14,884,981
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	P1,518,835,937	P1,402,973,699	P1,266,831,312
Net income attributable to:			
Equity holders of the Parent Company	1,393,363,722	P1,288,081,156	P1,148,682,457
Non-controlling interests	125,472,215	114,892,543	103,263,874
	P1,518,835,937	P1,402,973,699	P1,251,946,331

(Forward)

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

For the Years Ended December 31

	2019	2018	2017
<i>(Continued)</i>			
Total comprehensive income attributable to:			
Equity holders of the Parent Company	1,393,363,722	₱1,288,081,156	₱1,163,567,438
Non-controlling interests	125,472,215	114,892,543	103,263,874
	₱1,518,835,937	₱1,402,973,699	₱1,266,831,312
EARNINGS PER SHARE - note 30	₱0.692	₱0.636	₱0.567

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

For the Years Ended December 31

	Other comprehensive income (Note 27)							
	Capital stock (Note 18)	Additional paid- in Capital	Revaluation reserves	Remeasurement gain	Retained earnings	Treasury stocks (Note 19)	Non-controlling interest	Total
BALANCE AS AT JANUARY 1, 2018 - AS PREVIOUSLY STATED	₱2,024,500,000	₱369,834,820	₱1,702,210,318	₱20,848,377	₱1,692,745,178	₱ -	₱366,516,900	₱6,176,655,593
Prior period adjustment - note 20	-	-	-	-	1,261,009,225	-	43,548,346	1,304,557,571
BALANCE AS AT JANUARY 1, 2018 - AS RESTATED	2,024,500,000	369,834,820	1,702,210,318	20,848,377	2,953,754,403	-	410,065,246	7,481,213,164
Total comprehensive income for the year								
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
Remeasurement gain on retirement benefit obligation Change in interest to PGI resulting from increase in interest of Parent Company from 91.04% to 91.35%	-	-	-	-	6,409,287	-	(14,909,287)	(8,500,000)
Transactions with owners								
Declaration of cash dividend - note 20	-	-	-	-	(485,649,696)	-	(48,432,027)	(534,081,723)
Issuance of capital stock	-	-	-	-	-	(6,266,563)	-	(6,266,563)
Effect of changes in Parent Company ownership in PGI from purchase of additional shares	-	-	-	-	(7,480,000)	-	-	(7,480,000)
Total transactions with owners	-	-	-	-	493,129,696	(6,266,563)	(48,432,027)	(547,828,286)
BALANCE AS AT DECEMBER 31, 2018	₱2,024,500,000	₱369,834,820	₱1,618,932,730	₱20,848,377	₱3,874,083,133	₱(6,266,563)	₱461,616,475	₱8,363,548,972

Forward

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Equity

	For the Years Ended December 31					
	Other comprehensive income					
	Capital stock (Note 18)	Additional paid- in Capital	Revaluation reserves	Remeasurement gain	Retained earnings	Treasury stocks Non-controlling (Note 19) interest
<i>(Continued)</i>						Total
BALANCE AS AT JANUARY 1, 2019	P2,024,500,000	P369,834,820	P1,618,932,730	P20,848,377	P3,874,083,133	P8,363,548,972
Effect of adoption of PFRS 16 - note 2	-	-	-	-	(1,660,709)	(1,660,709)
BALANCE AS AT JANUARY 1, 2019 - AS RESTATE	2,024,500,000	369,834,820	1,618,932,730	20,848,377	3,872,422,424	8,361,888,263
Total comprehensive income for the year	-	-	-	-	1,393,363,722	1,518,835,937
Net income for the year	-	-	-	-	1,393,363,722	1,518,835,937
Transfer of revaluation reserve deduction from operations through additional depreciation charges	-	-	(118,968,061)	-	118,968,061	-
Deferred income tax effect on revaluation reserve charged to operations through additional depreciation	-	-	35,690,418	-	-	35,690,418
Transactions with owners						
Declaration of cash dividend - note 20	-	-	-	-	(480,131,012)	(538,248,693)
Reacquisition of shares - note 19	-	-	-	-	-	(185,356,134)
Total transactions with owners	-	-	-	-	(480,131,012)	(723,604,827)
BALANCE AS AT DECEMBER 31, 2019	P2,024,500,000	P369,834,820	P1,535,655,087	P20,848,377	P4,904,623,195	P9,192,809,791

(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		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P1,957,027,259	P1,718,847,737	P1,537,723,657
Adjustments for :			
Depreciation - notes 10, 11 and 34	442,188,038	368,917,645	319,757,627
Unrealized (gain) loss on financial assets at FVPL - note 5	(43,071,659)	47,020,829	(37,321,484)
Retirement benefit expense - note 28	25,583,642	25,321,034	14,487,168
Finance costs - note 25	52,579,062	34,178,845	31,460,634
Interest income - note 4	(1,639,189)	(1,334,974)	(1,043,506)
Unrealized foreign exchange gain - note 26	(31,381,271)	(6,411,820)	(1,459,337)
Income from reversal of allowance for doubtful accounts - note 6	-	(30,589,742)	-
Gain on sale of financial assets at FVPL - note 5	(47,770,075)	(32,102,718)	(71,166,680)
Gain on sale of property, plant and equipment - notes 10 and 11	(1,355,543)	(30,446,891)	(2,636,014)
Dividend income - note 26	(48,623,957)	(40,734,023)	(8,610,501)
Retirement benefit income	-	-	(2,456,485)
Operating income before working capital changes	2,303,536,307	2,052,665,922	1,778,735,079
Decrease (increase) in assets:			
Trade and other receivables	(33,454,472)	3,950,785	23,356,261
Inventories	(162,326,753)	(284,499,739)	(177,188,754)
Prepayments and other current assets	(61,976,905)	(6,773,320)	8,130,571
Real estate projects	(26,529,269)	28,627,414	(22,060,631)
Increase (decrease) in liabilities:			
Trade and other payables	193,568,136	291,298,464	241,575,435
Customers' deposits	(4,451,069)	(30,784,877)	(40,570,169)
Net cash from operations	2,208,365,975	2,054,484,649	1,811,977,792
Proceeds from sale of financial assets at FVPL - note 5	292,780,270	806,396,445	521,334,601
Dividends received	38,671,481	40,734,023	8,610,501
Interest received - note 4	1,639,189	1,334,974	1,043,506
Contributions and retirement benefits paid - note 28	(27,917,261)	(40,129,777)	(84,561,459)
Income taxes paid	(365,885,123)	(288,038,998)	(262,243,932)
Additions to financial assets at FVTPL - note 5	(439,163,845)	(896,370,802)	(713,531,925)
Net cash from operating activities	1,708,490,686	1,678,410,514	1,282,629,084

(Forward)

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	For the Years Ended December 31		
	2019	2018	2017
<i>(Continued)</i>			
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment			
- notes 10 and 11	16,959,325	51,583,572	8,737,454
Additions to property, plant and equipment - notes 10 and 11	(1,180,093,870)	(1,666,673,157)	(589,352,628)
Advances to contractors and suppliers			
- note 14--	(23,810,086)	-	-
Collection of advances to related parties			
- note 21	81,701,438	-	29,287
Additional investment properties - note 12	-	-	(5,540,000)
Grant of advances to related parties - note 21	(600,042)	-	(131,444,881)
Net cash used in investing activities	(1,105,843,235)	(1,615,089,585)	(717,570,768)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of short-term debts	3,646,841,955	1,773,740,046	600,000,000
Payment of dividends	(535,415,564)	(528,368,037)	(67,677,447)
Payment of short-term debts	(3,225,280,392)	(1,218,661,994)	(825,000,000)
Payment of lease liabilities	(13,755,696)	-	-
Finance costs paid - note 25	(48,374,361)	(34,178,845)	(31,460,634)
Acquisition of shares from non-controlling interest	-	(15,980,000)	-
Acquisition of treasury stocks - note 19	(185,356,134)	(6,266,563)	-
Settlement of advances from related parties	-	-	(60,470,817)
Net cash used in financing activities	(361,340,192)	(29,715,393)	(384,608,898)
EFFECT OF EXCHANGE RATE			
CHANGES ON CASH	24,410,028	6,411,820	316,524
NET INCREASE IN CASH	265,717,287	40,017,356	180,765,942
CASH - note 4			
At beginning of year	848,846,339	808,828,983	628,063,041
At end of year	₱1,114,563,626	₱848,846,339	₱808,828,983

(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, 2019 and 2018

and for each of the three years in the period ended December 31, 2019

(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 ₱4.94 and ₱5.75 per share as at December 31, 2019 and 2018, 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. As at December 31, 2019, PGI’s refilling plants increased to seventy (70) while LPG marine-fed terminals remain at eight (8).

Certain operations of PGI is registered with the Board of Investments (BOI) and entitled to Income Tax Holiday (ITH) provided under Republic Act No. 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 91.35%.

OOO

OOO 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, 2019, OOO has three (3) LPG refilling plants of varying storage capacities.

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

PGI owns 99.62% of the shares issued by OOO. The increase in stock ownership of the Parent Company to PGI for the year ended December 31, 2018 resulted to an increase in % of ownership of the Parent Company to OOO from 90.69% to 91.00%.

PPhI

PPhI is primarily engaged in the trading of pharmaceutical products on wholesale and retail basis. PPhI'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, 2019, including its comparatives as at December 31, 2018, and for each of the three (3) years in the period ended December 31, 2019 were approved and authorized for issue by the Parent Company's Board of Directors (BOD) on June 26, 2020.

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). 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 December 31 are as follows:

Name of subsidiary	Ownership and voting interest	
	2019	2018
PGI	91.35%	91.35%
OOC	91.00%	91.00%
PPhI*	88.61%	88.61%

* Includes indirect equity ownership of 13.66% in 2019 and 2018.

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:

	2019			2018		
	PGI	OOC	PPhI	PGI	OOC	PPhI
Total current assets	P2,510,913,120	P529,122,739	P21,352,916	P2,238,534,547	P183,344,785	P17,511,990
Total noncurrent assets	7,805,707,656	1,355,890,476	2,941,249	6,736,411,400	542,188,507	3,863,120
Total assets	10,316,620,776	1,885,013,215	24,294,165	8,974,945,947	725,533,292	21,375,110
Current liabilities	2,402,036,786	122,666,851	10,545,845	1,818,835,532	14,963,124	8,586,489
Noncurrent liabilities	725,540,080	1,216,093,451	2,007,729	765,162,894	171,498,383	1,971,291
Total liabilities	3,127,576,866	1,338,760,302	12,553,574	2,583,998,426	186,461,507	10,557,780
Equity	P7,189,043,910	P546,252,913	P11,740,591	P6,390,947,521	P539,071,785	P10,817,330

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

	2019			2018		
	PGI	OOC	PPhI	PGI	OOC	PPhI
Revenues	P10,300,680,218	P1,814,325,639	P51,022,768	P10,017,735,371	P217,633,660	P44,367,852
Expenses	(8,431,757,385)	(1,804,113,506)	(49,703,858)	(8,414,969,989)	(209,798,012)	(43,119,819)
Income tax expense	(427,059,406)	(3,031,005)	(395,649)	(281,321,709)	(2,405,379)	(374,410)
	P1,441,863,427	P7,181,128	P923,261	P1,321,443,673	P5,430,269	P873,623
Net income attributable to:						
Equity holders of the						
Parent Company	P1,317,142,240	P6,535,033	P818,533	P1,207,138,795	P4,941,701	P774,526
Non-controlling interest	124,721,187	646,095	104,728	114,304,878	488,568	99,097
	P1,441,863,427	P7,181,128	P923,261	P1,321,443,673	P5,430,269	P873,623

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

	2019			2018		
	PGI	OOC	PPhI	PGI	OOC	PPhI
Net cash inflows (outflows) from operating activities	₱1,739,288,350	(₱90,136,667)	₱3,309,999	₱1,379,393,468	₱102,227,252	(₱670,207)
Net cash inflows (outflows) from investing activities	(1,215,733,797)	167,256,508	(837,891)	(1,573,884,233)	(20,480,830)	2,480,845
Net cash inflows (outflows) from financing activities	(444,512,014)	110,000,000	-	212,216,588	(100,000,000)	-
Net increase (decrease) in cash	₱79,042,539	₱187,119,841	₱2,472,108	₱17,725,823	(₱18,253,578)	₱1,810,638

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, 2019.

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 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 resulted 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 resulted in recognition of depreciation on the right-of-use asset and interest on lease liability in the consolidated statements 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.

The Group adopted PFRS 16 using the modified retrospective approach. Under this approach, the standard is applied retrospectively and the cumulative effect of initial application is recognized as an adjustment to the opening balance of cumulative deficiency of revenues over expenses of the current year. Accordingly, the comparative information presented in 2019 and 2018 consolidated financial statements have not been restated and continued to be reported under PAS 17 and related interpretations..

Effect of adoption of PFRS 16 on consolidated financial statements

	As at January 1, 2019		
	As reported	PFRS 16 adjustment	As adjusted
<u>Consolidated statement of financial position</u>			
<i>Noncurrent assets</i>			
Right-of-use assets (net)	P-	P29,791,056	P29,791,056
Deferred tax assets	35,174,217	22,730,210	57,904,427
<i>Noncurrent liabilities</i>			
Lease liability (net of current)	-	33,779,303	33,779,303
Deferred tax liabilities	714,111,829	20,402,671	734,514,500
<i>Equity</i>			
Retained earnings	3,874,083,133	(1,660,709)	3,872,422,424

The Group has various lease agreements in respect of commercial building/units for commercial space, parcels of land and storage tank. Prior to the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets.

Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group applied the following practical expedients for leases previously classified as operating leases, on a lease-by-lease basis:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within twelve (12) months from the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The lease liabilities as at January 1, 2019 as can be reconciled to the operating lease commitments as at December 31, 2018 as follows:

Operating lease commitments as at December 31, 2018	P77,488,517
Less: Commitments relating to short-term and low value leases	34,522,586
	42,965,931
Discount using the incremental borrowing rate at January 1, 2019	(9,168,628)
Lease liabilities recognized as at January 1, 2019	P33,779,303

New accounting standards, interpretations and amendments to existing standards effective subsequent to January 1, 2019

Standards issued but not yet effective up to the date of the Group's 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.

PFRS 3 (Amendments) Definition of Business. The amendments clarify that to be considered a business, an integrated 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 output. They also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'. The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. The amendments will not have a significant impact on the disclosures and amounts recognized on the consolidated financial statements.

PAS 1 (Amendments) Presentation of Financial Statements, and PAS 8 (Amendments) Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. The amendments will not have a significant impact on the disclosures and amounts recognized on the consolidated financial statements.

The Conceptual Framework for Financial Reporting. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The amendments are effective for annual periods beginning on or after January 1, 2020. The amendments will not have a significant impact on the disclosures and amounts recognized on consolidated the 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 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 Company 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 unobservable inputs.

All assets and liabilities for which fair value is measured 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 non-recurring measurement, such as investment property.

External valuers are involved for valuation of significant assets. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

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 nonfinancial assets are presented in Note 38 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 statement 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 statement 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 effective interest (EIR) method.

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, 2019 and 2018, included under financial assets at amortized cost are the Group's cash, trade and other receivables, and advances to related parties (see Notes 4, 6 and 21).

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, 2019 and 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 December 31, 2019 and 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, dividends payable, and lease liabilities (see Notes 15, 17, 20 and 34).

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 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.

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 ECLs. 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 ECLs. Lifetime ECL represents the expected credit losses 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.

The Group has applied the standard's simplified approach on its trade and other receivables and has calculated ECL based on lifetime expected credit losses. 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 assets. The ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, including time value of money where appropriate.

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 trade.

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; and for
- 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 trade 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.

LPG, cylinders, stoves and 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 which are (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. On the other hand, industrial gases pertain to oxygen, 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.

Inventories are initially measured at cost and subsequently measured at the lower of cost and 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 LPG, cylinders, stoves and accessories, industrial gases, and pharmaceutical products includes excise tax, overhead, freight and handling cost, refilling cost and exclude borrowing costs. On the other hand, cost of real estate projects includes 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 allocation for non-specific cost. And, cost of pharmaceutical products is determined primarily on the basis of first-in, first-out (FIFO) method.

NRV for real estate projects is the estimated selling price less cost to complete and sell. On the other hand, 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 VAT 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 which 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 machinery and office equipment are subsequently measured using revaluation model. 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
Machinery and equipment	9-10
Oxygen and acetylene cylinders	15
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 cylinders, transportation equipment, leasehold improvements, furniture, fixtures and equipment, and construction in-progress are subsequently measured using cost model. 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
LPG cylinders	20
Leasehold improvements	5-15
Transportation equipment	5-6
Furniture, fixtures and equipment	5

Construction in progress (CIP) is stated at cost. This includes cost of construction, 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 used. 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 (CGU) 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, 2019 and 2018, included in investment properties are the Group's parcels of land, which are held for lease and memorial lots, which are held for capital appreciation.

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 CGUs 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.

None of the Group's short-term debts are used to finance acquisition, construction or production of qualifying assets. Hence, all of the Group's borrowing costs are recognized as expenses in the consolidated statements of comprehensive income in the period incurred.

Leases (Effective January 1, 2019)

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one (1) of the following applies, (a) there is a change in contractual terms, other than a renewal or extension of the arrangement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d), and at the date of renewal or extension period for scenario (b) above.

The Group leases commercial spaces and lots for its sales centers and refilling plants. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value items. For leases with a term of more than twelve (12) months, the Group recognizes 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, unless the underlying asset is of low value.

Right-of-use asset

At the commencement date of the lease (which is when the underlying asset is available for use), the Group recognizes the right-of-use assets. The right-of-use asset is initially measured at cost which consists of the amount of the lease liability plus any initial direct costs incurred and payments made at or prior to commencement date less lease incentives received and estimated costs to be incurred by the lessee for restoration or dismantling of the underlying asset to be suitable to the condition required by the terms and conditions of the lease. Subsequent to commencement date, the right-of-use asset shall be measured at cost less accumulated amortization and any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

The right-of-use asset is amortized using the straight-line method over the shorter of its estimated useful life and the lease term as follows:

	<u>In Years</u>
Land	5 – 25
Commercial space	3 – 5
LPG storage tank	20

Lease liabilities

At the commencement date of the lease, (which is when the underlying asset is available for use), the Group recognizes lease liabilities measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the Group shall use an incremental borrowing rate.

Variable lease payments that are not included in the measurement of the lease liability are recognized in profit or loss in the period in which the event or condition that triggers payment occurs, unless the costs are included in the carrying amount of another asset under another Standard.

Lease liabilities are subsequently measured to reflect changes in the lease term, exercising of a purchase option (using a revised discount rate), amounts expected to be paid under residual value guarantees (using unchanged discount rate), or future lease payments resulting from a change or a rate used to determine those payments (using an unchanged discount rate). Such remeasurements are treated as adjustments to the right-of-use asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment and other rentals (i.e., those leases that have a lease term of twelve (12) months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight line basis over the lease term.

Leases with variable lease payments

The Group recognizes payments for short-term and long-term leases with variable lease payments depending on the future revenue as expenses when incurred over the lease term.

Leases (Effective prior to January 1, 2019)

The Group is a party to operating leases as at reporting date as a lessee on its sales centers. 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 under Cost of sales and Operating expenses account in the 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 Parent Company provides for estimated retirement benefits cost required to be paid under R.A. 7641 to qualified employees. The Parent Company has an unfunded, noncontributory retirement plan. On the other hand, PGI 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 Group or of a parent of the Group; and (b) when any of the following conditions apply: (i) an entity and the Group 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 Group; (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 Group or to the parent of the Group; (viii) a person identified in (a) above has significant influence over the Group or is a member of the key management personnel of the Group or of a parent of the Group.

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 APIC 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.

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 or as control over distinct goods or services are transferred to customer such as when the customer is able to direct the use of the transferred goods or services and obtains substantially all of the remaining benefits from the goods or services, given that a contract with enforceable rights and obligations exists and, among others, the collectability of consideration is probable taking into account the customer's creditworthiness.

Revenue recognized is the transaction price that reflects the consideration which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

To determine whether to recognize revenue, the Group follows a five-step process:

- (1) identifying the contract with a customer;
- (2) identifying the performance obligation;
- (3) determining the transaction price;
- (4) allocating the transaction price to the performance obligation; and
- (5) recognizing revenue when or as performance obligations are satisfied.

The Group recognizes revenues from the following sources:

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

The Group sells LPG, cylinders, stove and accessories, and industrial gases (a) to the wholesale market, and (b) directly to customers through refilling and terminal plant, and retail outlets.

Revenue from sale to wholesale market is recognized when or as the Group transfers control of the assets at a point in time to the wholesale customers. Invoices for goods transferred are due upon receipt of goods at the wholesaler's specific location. Following delivery, the wholesaler has the primary responsibility on selling the goods and bears the risks of obsolescence and loss in relation to the goods. Trade receivable is recognized by the Group when the goods are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Revenue from sale to individual customers is recognized when control of the goods has been transferred, which is at the point the customer purchases the goods at refilling, terminal plant and retail outlet. Payment of the transaction price is due immediately when the customer purchases the goods.

(b) Sale of real estate

Revenues from sale of real estate arise from (a) sale of memorial lots, and (b) sale of 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.

Real estate sales are recognized only when certain collection threshold was met over which the Group determines that collection of total contract price is reasonably assured. The Group uses historical payment pattern of customers in establishing a percentage of collection threshold.

If the transaction does not qualify as contract revenue under PFRS 15, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of revenue on real estate sales, consideration received from customers are recognized as Customers' Deposits in the statements of financial position. Customers' deposit is recognized at the amounts received from customers and will be subsequently applied against the receivables when the related real estate sale is recognized.

Subsequent cancellations of prior years' real estate sales are recognized in profit or loss in the current year as they occur. The original cost of memorial lots sold is reverted back to inventory while the outstanding receivables at the time of cancellation are reversed. The resulting difference is recognized as part of Other income in the statement of comprehensive income.

(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) Rendering of ancillary services

Rendering of ancillary services such as interment and other services is recognized as income when the related services are performed, net of related cost, and presented as part of other income in the 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 LPG, cylinders, stoves and accessories, industrial gases and pharmaceutical products sold is recognized as expense when the related goods are sold.

Cost of real estate projects sold before completion of the development and construction 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. These estimates are reviewed periodically to take into consideration the changes in cost estimates.

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 since the amortization period of the asset that the Group otherwise would have used is one (1) year or less. For contracts with payment terms of more than one (1) year, the amount of commission expensed out and paid to sales agent is amortized over the period of the contract.

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) 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.

(c) 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.

(d) Lease commitments

The Group has entered into various lease agreements for the lease of its sales center offices and LPG tanks as a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements.

Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. In 2018, the Group determined that significant risk and rewards of ownership of the properties were retained by the lessor and accounts for its lease as operating lease.

Starting January 1, 2019, all the existing leases of the Group, except for the leases with lease term of less than twelve (12) months and small value leases, qualified as leases under PFRS 16 which requires recognition of right-of-use asset and lease liability.

The leases are renewable upon mutual agreement by both parties to be covered by a separate and new lease agreement. Accordingly, the renewal option was not considered in the lease term for purposes of the adoption of PFRS 16.

(e) 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 and advances to related parties

The Group makes use of simplified approach in determining the ECL for trade and other receivables and general approach for advances to related parties.

Simplified approach is used for trade receivables 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 in the case of sale of real estate. 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 receivables other than those arising from trade since these are generally short term in nature.

General approach is used for advances to related parties. 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 Parent Company 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 are impaired as at December 31, 2019 and 2018 as these receivables are highly performing based on the historical credit experience with the debtors, the future economic conditions, and laws governing real estate sales. Likewise, there is no indication that its advances to related parties is impaired as at December 31, 2019 and 2018 since the counterparty has good financial standing and is creditworthy.

The carrying amount of the Group's trade and other receivables as at December 31, 2019 and 2018 amounted to ₱380.32 million and ₱337 million, respectively (see Note 6). Advances to related parties amounted to ₱50.34 million and ₱131.44 million as at December 31, 2019 and 2018, respectively (see Note 21).

(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, 2019 and 2018 amounted to ₱1.23 billion 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 December 31, 2019 and 2018 amounted to ₱842.57 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 December 31, 2019 and 2018 the carrying amounts of property, plant and equipment, net of carrying amount of land amounting to ₱1.55 billion and ₱1.53 billion, amounted to ₱6.17 billion and ₱5.47 billion, respectively (see Notes 10 and 11).

(d) Estimating incremental borrowing rate for lease under PFRS 16

The Group cannot readily determine the interest rate implicit in the lease, hence it uses the incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. The incremental borrowing rate used by the Group ranges from 6.98% to 7.53%.

(e) 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 ₱114.91 million and ₱117.25 million as at December 31, 2019 and 2018, respectively (see Note 28).

(f) 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, 2019 and 2018, the Group recognized deferred tax assets amounting to ₱51.55 million and ₱35.17 million, respectively (see Note 29).

(f) 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 assessed that goodwill is not impaired as at December 31, 2019 and 2018.

(g) 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 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.

4. CASH

This account as at December 31 consists of:

	2019	2018
Cash on hand	₱156,994,789	₱78,764,807
Cash in banks	957,568,837	770,081,532
	₱1,114,563,626	₱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 account in the consolidated statements of comprehensive income in the amount of ₱1.64 million and ₱1.33 million for the years ended December 31, 2019 and 2018, respectively (see Note 26).

There are no legal restrictions on the Group's cash as at December 31, 2019 and 2018.

5. FINANCIAL ASSETS AT FVPL

The movement of the account as at December 31 is as follows:

	2019	2018
Cost		
Balance at beginning of year	₱741,730,894	₱619,653,819
Additions	439,163,845	896,370,802
Disposals	(245,010,195)	(774,293,727)
	935,884,544	741,730,894
Fair value gain	106,677,413	63,605,754
Balance at end of year	1,042,561,957	₱805,336,648

The movements of the fair value gain as at December 31 are as follows:

	2019	2018
Balance at beginning of year	₱63,605,754	₱110,626,583
Fair value gain (loss) during the year	43,071,659	(47,020,829)
Balance at end of year	₱106,677,413	₱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 years ended December 31, 2019 and 2018 amounted to ₱292.78 million and ₱806.40 million, which resulted to gain on sale of ₱47.77 million and ₱32.10 million, respectively, and is presented under Other income in the consolidated statements of comprehensive income (see Note 26).

Dividend income earned from financial assets at FVPL is presented under Other income in the consolidated statements of comprehensive income amounting to ₱48.62 million and ₱40.73 million for the years ended December 31, 2019 and 2018, respectively (see Note 26).

6. TRADE AND OTHER RECEIVABLES

This account as at December 31 consists of:

	2019	2018
Trade	₱259,505,079	₱194,548,686
Advances to officers and employees	36,137,019	31,795,251
Refundable deposits	16,548,561	10,451,294
Receivables from memorial lot owners	11,043,255	46,499,255
Others	57,090,706	53,715,296
	₱380,324,620	₱337,009,782

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.

Advances to officers and employees are, in general, non-interest bearing and collectible through salary deductions.

Refundable deposits mainly represent bonds paid to various suppliers.

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.

Others mainly consist of dividend receivable, receivable from the sale of land and financial assets at FVPL, payments made for 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 year	P-	P30,589,742
Reversal of allowance for ECL – note 26	-	(30,589,742)
Balance at end of year	P-	P-

The allowance in prior years that were subsequently collected in 2018 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 in the consolidated statements of comprehensive income (see Note 26).

There are no receivables that are neither past due nor impaired that have been negotiated as at December 31, 2019 and 2018.

7. INVENTORIES

This account as at December 31 consists of:

	2019	2018
Finished goods		
LPG, cylinders, stoves and accessories	P1,003,882,069	P870,404,756
Industrial gases	17,831,846	12,443,295
Pharmaceutical products	5,228,166	8,009,709
	1,026,942,081	890,857,760
Material and supplies	114,352,103	99,273,973
In-transit LPG	66,762,587	68,510,168
Raw materials	26,340,687	13,428,804
	P1,234,397,458	P1,072,070,705

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, 2019 and 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, 2019 and 2018.

Inventories charges to cost of sales for the years ended December 31 are as follows (see Note 23):

	2019	2018
LPG, cylinders, stoves and accessories	₱7,447,788,261	₱7,466,077,142
Industrial gases	229,227,444	218,394,676
Pharmaceutical products	33,854,266	29,902,625
	₱7,710,869,971	₱7,714,374,443

8. REAL ESTATE PROJECTS

Real estate projects as at December 31 consist of:

	2019	2018
Memorial park lots	₱457,751,164	₱438,357,153
Land held for future development	234,893,608	217,163,207
Office units	57,662,892	57,662,892
Subdivision lots	92,258,627	102,853,770
	₱842,566,291	₱816,037,022

The real estate projects are stated at cost which is lower than NRV.

As at December 31, 2019 and 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 ₱28.78 million in 2019 and ₱62.90 million in 2018 (see Note 23).

9. PREPAYMENTS AND OTHER CURRENT ASSETS

This account as at December 31 consists of:

	2019	2018
Prepayments		
Rent – note 34	₱46,638,335	₱25,415,357
Taxes and licenses	12,051,933	12,055,274
Insurance	11,299,437	7,924,419
Maintenance	287,081	655,617
Input VAT, net	58,682,592	21,870,857
Deferred charges	-	1,061,630
Others	7,242,103	6,002,270
	₱136,201,481	₱74,985,424

Prepaid rent pertains to advance payment for short-term lease agreements (see Note 34).

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, 2019

	Net carrying amounts, January 1, 2019	Additions	Depreciation	Reclassification	Disposals	Net carrying amounts, December 31, 2019
Land and land improvements	P1,544,797,277	P25,272,065	(P1,213,612)	P-	P-	P1,568,855,730
Buildings and structures	960,791,085	204,956,699	(68,174,371)	16,773,210	(14,349)	1,114,332,274
LPG plant, machinery and equipment	2,803,439,038	73,140,525	(210,290,224)	751,816,573	(8,483,178)	3,409,622,734
Oxygen and acetylene cylinders	255,984,623	27,222,112	(30,590,060)	-	(1,000,563)	251,616,112
Office equipment	6,592,839	-	(1,637,000)	-	-	4,955,839
	P5,571,604,862	P330,591,401	(P311,905,267)	P768,589,783	(P9,498,090)	P6,349,382,689

	Revalued cost	Accumulated depreciation	Net carrying amounts, December 31, 2018
Land and land improvements	P1,589,178,694	(P20,322,964)	P1,568,855,730
Buildings and structures	1,771,655,143	(657,322,869)	1,114,332,274
LPG plant, machinery and equipment	5,847,153,603	(2,437,530,869)	3,409,622,734
Oxygen and acetylene cylinders	979,672,893	(728,056,781)	251,616,112
Office equipment	73,278,235	(68,322,396)	4,955,839
	P10,260,938,568	(P3,911,555,879)	P6,349,382,689

December 31, 2018

	Net carrying amounts, January 1, 2018	Additions	Depreciation	Reclassification	Disposals	Net carrying amounts, December 31, 2018
Land and land improvements	P1,475,127,433	P73,691,244	(P2,184,500)	P-	(P1,836,900)	P1,544,797,277
Buildings and structures	858,865,456	19,791,850	(87,891,604)	170,025,383	-	960,791,085
LPG plant, machinery and equipment	2,572,892,416	72,090,546	(181,180,746)	345,521,469	(5,884,647)	2,803,439,038
Oxygen and acetylene cylinders	278,500,848	12,762,998	(31,036,040)	-	(4,243,183)	255,984,623
Office equipment	7,411,339	-	(818,500)	-	-	6,592,839
	P5,192,797,492	P178,336,638	(P303,111,390)	P515,546,852	(P11,964,730)	P5,571,604,862

	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	1,569,314,753	(608,523,668)	960,791,085
LPG plant, machinery and equipment	5,153,303,579	(2,349,864,541)	2,803,439,038
Oxygen and acetylene cylinders	962,406,041	(706,421,418)	255,984,623
Office equipment	73,278,235	(66,685,396)	6,592,839
	₱9,322,209,237	(₱3,750,604,375)	₱5,571,604,862

If revalued property, plant and equipment were carried at cost, the carrying amounts would be as follows:

December 31, 2019

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2019
Land and land improvements	₱668,172,225	(₱13,909,703)	₱654,262,522
Buildings and structures	619,996,828	(431,912,984)	188,083,844
LPG plant, machinery and equipment	5,353,055,443	(2,334,774,985)	3,018,280,458
Oxygen and acetylene cylinders	584,770,918	(508,987,199)	75,783,719
Office equipment	55,145,308	(52,058,476)	3,086,832
	₱7,281,140,722	(₱3,341,643,347)	₱3,939,497,375

December 31, 2018

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2018
Land and land improvements	₱642,900,160	(₱13,441,794)	₱629,458,366
Buildings and structures	587,646,943	(419,717,354)	167,929,589
LPG plant, machinery and equipment	3,791,513,369	(2,134,669,953)	1,656,843,416
Oxygen and acetylene cylinders	566,379,028	(498,851,714)	67,527,314
Office equipment	55,145,308	(50,716,832)	4,428,476
	₱5,643,584,808	(₱3,117,397,647)	₱2,526,187,161

Depreciation charged to operations for the years ended December 31 was allocated as follows:

	2019	2018
Cost of sales		
LPG, cylinders, stoves and accessories – note 23	₱142,605,520	₱160,616,023
Industrial gases – note 23	34,746,376	32,780,468
Operating expenses		
Selling – note 24	66,979,186	31,309,299
General and administrative – note 24	67,574,185	78,405,600
	₱311,905,267	₱303,111,390

As at December 31, 2019 and 2018, certain property, plant and equipment was disposed for a total consideration of ₱9.75 and ₱39.33 million, resulting into a gain of ₱256,818 and ₱27.37 million, respectively. The gains on disposal were reported under Other income in the consolidated statements of comprehensive income (see Note 26).

The above depreciation includes depreciation on appraisal increase amounting to ₱118.97 million for the years ended December 31, 2019 and 2018, which also represents transfer of realized portion of revaluation reserve to retained earnings (see Note 27).

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, 2019 and 2018, the revaluation reserves on the property, plant and equipment carried at revalued amount is ₱1.54 million and ₱1.62 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 17). No contractual commitments have been entered into by the Group for acquisition of any property, plant and equipment.

No contractual commitments have been entered into by the Group for acquisition of any property and equipment.

As of December 31, 2019 and 2018, there is no restriction on the distribution of the balance to the shareholders.

11. PROPERTY, PLANT AND EQUIPMENT AT COST (NET)

Details of property, plant and equipment are as follows:

December 31, 2019

	Net carrying amounts, January 1, 2019	Additions	Depreciation	Reclassification	Disposals	Net carrying amounts, December 31, 2019
LPG cylinders	₱178,137,702	₱25,882,132	(₱21,138,292)	₱-	(₱422,666)	₱182,458,876
Transportation equipment	210,120,247	219,363,552	(80,937,096)	-	(4,653,678)	343,893,025
Leasehold improvement	377,259	1,903,626	(266,012)	-	-	2,014,873
Furniture, fixtures and equipment	32,768,940	39,838,966	(17,121,195)	-	(459,435)	55,027,276
CIP	1,000,572,220	562,514,193	-	(768,589,783)	(569,914)	793,926,716
	₱1,421,976,368	₱849,502,469	(₱119,462,595)	(₱768,589,783)	(₱6,105,693)	₱1,377,320,766

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2019
LPG cylinders	₱343,992,705	(₱161,533,829)	₱182,458,876
Transportation equipment	725,871,436	(381,978,411)	343,893,025
Leasehold improvement	19,303,027	(17,288,154)	2,014,873
Furniture, fixtures and equipment	188,614,086	(133,586,810)	55,027,276
CIP	793,926,716	-	793,926,716
	₱2,071,707,970	(₱694,387,204)	₱1,377,320,766

December 31, 2018

	Net carrying amounts, January 1, 2018	Additions	Depreciation	Reclassification	Disposals	Net carrying amounts, December 31, 2018
LPG cylinders	₱122,280,322	₱78,296,701	(₱20,994,522)	₱-	(₱1,444,799)	₱178,137,702
Transportation equipment	78,076,797	173,344,903	(33,574,300)	-	(7,727,153)	210,120,247
Leasehold improvement	1,527,114	154,850	(1,304,705)	-	-	377,259
Furniture, fixtures and equipment	26,405,906	16,295,763	(9,932,729)	-	-	32,768,940
CIP	295,874,769	1,220,244,303	-	(515,546,852)	-	1,000,572,220
	₱524,164,908	₱1,488,336,520	(₱65,806,256)	(₱515,546,852)	(₱9,171,952)	₱1,421,976,368

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2018
LPG cylinders	₱353,450,847	(₱175,313,145)	₱178,137,702
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	(115,237,883)	32,768,940
CIP	1,000,572,220	-	1,000,572,220
	₱2,053,681,392	(₱631,705,024)	₱1,421,976,368

Depreciation charged to operations was allocated as follows:

	2019	2018
Cost of sales		
LPG, cylinders, stoves and accessories - note 23	₱76,671,485	₱32,962,967
Industrial gases – note 23	3,155,011	2,304,655
Operating expenses		
Selling – note 24	22,491,732	19,913,840
General and administrative - note 24	17,144,367	10,624,794
	₱119,462,595	₱65,806,256

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, 2019 and 2018, certain property, plant and equipment were disposed for a total consideration of ₱7.20 million and ₱12.25 million, respectively, resulting into a gain of ₱1.10 million and ₱3.08 million. The gain on disposal was included in Other income in the profit or loss (see Note 26).

As at December 31, 2019 and 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 - As restated (see Note 20)
Memorial lots – note 32	₱352,301,475	₱352,301,475
Land	37,027,141	37,027,141
	₱389,328,616	₱389,328,616

There are no movement for the Group's investment properties for the years ended December 31, 2019 and 2018.

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, 2019 and 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.

As at December 31, 2019 and 2018, the aggregate fair value of the investment properties amounted to ₱847.02 million and ₱703.09 million, respectively (see Note 38).

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.

	2019	2018 - As restated (see Note 20)
Attributable to:		
Investment in subsidiaries by Parent Company		
PGI	₱68,897,066	₱68,897,066
PPhI	1,771,239	1,771,239
	₱70,668,305	₱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 ₱68.90 million as at December 31, 2019 and 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.

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 13.66% 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. OTHER NON-CURRENT ASSET

This pertains to advances to contractors and suppliers which are deposits made to contractors and suppliers for the acquisition of property and equipment. The acquisition of property and equipment will be subsequently reclassified to property and equipment once the title has been transferred to the Group. Advances to contractors and suppliers amounted to ₱44.90 million and ₱21.09 million as at December 31, 2019 and 2018.

In 2019, this was classified as part of Trade and other receivables and was reclassified to Other non-current asset in 2019 for proper classification and presentation. The 2018 balance was also reclassified for consistency in presentation.

15. TRADE AND OTHER PAYABLES

This account as at December 31 consists of:

	2019	2018
Accounts payable:		
Trade	₱934,412,786	₱769,587,784
Nontrade	3,803,045	6,706,034
Deposits for park interment services	105,761,326	99,642,455
Due to government agencies	50,675,217	22,404,405
Due to park maintenance fund	50,229,301	46,267,176
Accrued expenses	20,671,243	23,444,917
Cylinder deposits	15,265,182	23,223,845
Reserve fund liability	5,314,797	5,692,628
Deferred income	3,031,121	2,673,456
Others	23,745,727	21,495,560
	₱1,212,909,745	₱1,021,138,260

Trade payables pertain 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 government agencies include SSS, HDMF and PHIC payable, withholding taxes and other taxes payable.

Due to park maintenance fund represent contributions made by memorial lot owners for the upkeep and maintenance of the memorial cemetery.

Details of accrued expenses are as follows:

	2019	2018
Utilities	₱9,458,028	₱13,787,313
Accrued salaries and wages	5,460,329	4,991,774
Other accrued expenses	5,752,886	4,665,830
	₱20,671,243	₱23,444,917

Other accrued expenses include accrued rent and professional fees.

Cylinder deposits pertain to deposits made by customers for its industrial gases and 50kg. LPG cylinders lent out by the Group.

Reserve fund liability is a pool of funds contributed by the Group's officers to cover for future losses due to wrong decisions.

16. 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 ₱104.87 million and ₱109.32 million as at December 31, 2019 and 2018, respectively.

17. SHORT-TERM DEBTS

Short-term debts consist of:

(a) PGI

In 2019, PGI obtained short-term loans denominated in US dollar from Rizal Commercial Banking Corporation (RCBC) amounting to ₱2,325.63 million at interest rates ranging from 4.15% to 4.50% with terms of 118 to 120 days. The Company also obtained short-term loans from United Coconut Planters Bank (UCPB) amounting to ₱911.94 million, of which ₱276.94 million is denominated in US dollar, at interest rates ranging from 4.25% to 7.25% for a term of 60 to 90 days. These short-term loans are unsecured.

In April and November 2019, PGI obtained short-term loans from Robinsons Bank Corporation amounting to ₱299.27 million, of which ₱199.27 million is denominated in US dollar, at interest rates ranging from 3.75% to 7.50% with terms of 90 to 120 days. The short-term loans are unsecured.

In May 2018, PGI obtained a short-term loan amounting to ₱993 million from RCBC with tenure of 180 days which will expire on February 28, 2019. The short-term loan is secured by a real estate mortgage of PGI'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 short-term loan amounting to ₱400 million from Robinsons Bank Corporation with tenure of 180 days. The short-term loan is unsecured.

The average interest rate on local borrowings for the years ended December 31, 2019 and 2018 were 4.80% and 3.60%, respectively.

(b) *OOO*

In 2019, OOC availed loan from UCPB and RCBC amounting to ₱50 million and ₱60 million, respectively, both of which have interest rate of 4.5%. The proceeds were used for additional working capital requirement.

The movement in short-term debts as at December 31 is as follows:

	2019	2018
Beginning balance	₱905,078,052	₱250,000,000
Availment of loans during the year	3,646,841,955	1,773,740,046
Payments during the year	(3,225,280,392)	(1,112,986,550)
Unrealized foreign exchange gain	(6,027,546)	(5,675,444)
Ending balance	₱1,320,612,069	₱905,078,052

Total interest incurred charged to operations amounted to ₱47.73 million and ₱30.68 million for the years ended December 31, 2019 and 2018, respectively (see Note 25).

18. CAPITAL STOCK

Details of this account as at December 31 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 consolidated Class B common stock with Class A common stock as the Parent Company'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, 2019 and 2018, the Parent Company's stock price amounted to ₱5.06 and ₱5.75 per share, respectively.

As at December 31, 2019 and 2018, the Parent Company has three hundred sixty (360) equity holders.

19. 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, 2019 and 2018, the Group has treasury stocks amounting to 36,598,731 shares with cost of ₱191.62 million and 1,145,600 shares with cost of ₱6.27 million, respectively.

20. RETAINED EARNINGS

Dividend declaration

Parent Company's dividend declaration

In a special meeting held on May 17, 2019, the BOD declared cash dividends amounting to ₱241.58 million equivalent to ₱0.12 per share to stockholders of record as at June 14, 2019 payable on July 10, 2019.

In a special meeting held on December 6, 2019, the BOD declared cash dividends amounting to ₱238.55 million equivalent to ₱0.12 per share to stockholders of record as at January 3, 2020 payable on January 29, 2020.

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.

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
December 6, 2019	January 29, 2020	₱0.12	₱238,548,152	₱-
May 17, 2019	July 10, 2019	0.12	241,582,860	-
December 14, 2018	February 4, 2019	0.12	-	242,709,696
June 7, 2018	July 19, 2018	0.12	-	242,940,000
			₱480,131,012	₱485,649,696

PGI's dividend declaration

In a special meeting of the BOD held on April 5, 2019, the Board approved distribution of a cash dividend to stockholders of record as of April 19, 2019 equivalent to ₱0.12 per share of the outstanding paid up capital of PGI's 2,800,000,000 common shares amounting to ₱336 million payable on May 3, 2019 out of unrestricted retained earnings for cash dividends as of December 31, 2018.

Likewise, in a special meeting of the BOD held on October 30, 2019, the Board approved distribution of a cash dividend to stockholders of record as of October 30, 2019 equivalent to ₱0.12 per share of the outstanding paid up capital of PGI's 2,800,000,000 common shares amounting to ₱336 million payable on November 7, 2019 out of unrestricted retained earnings for cash dividends as of December 31, 2018.

On May 4, 2018, the Board, through the BOD's special meeting, also 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, payable on May 18, 2018.

In a 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, payable on November 12, 2018.

Cash dividend declared and paid in 2019 and 2018:

Declared	Date paid	Dividend per share	2019	2018
October 30, 2019	November 7, 2019	₱0.12	₱336,000,000	₱-
April 5, 2019	May 3, 2019	0.12	336,000,000	-
October 23, 2018	November 12, 2018	0.10	-	280,000,000
May 4, 2018	May 18, 2018	0.10	-	280,000,000
			672,000,000	560,000,000

As at December 31, 2019 and 2018, dividends payable amounted to ₱251.49 million and ₱248.65 million, respectively.

Prior period adjustments

The Group made prior period adjustments which resulted to reclassification as follows:

	As at December 31, 2018		
	As previously stated	Adjustment	As Restated
Investment properties (a)	₱115,497,888	273,830,728	₱389,328,616
Goodwill (b)	78,148,305	(7,480,000)	70,668,305
Retained earnings	(2,620,553,908)	(1,253,529,225)	(3,874,083,133)
Fair value gain on real estate properties (a)	(1,030,726,843)	1,030,726,843	-
Non-controlling interest (c)	(418,068,129)	(43,548,346)	(461,616,475)

- (a) The Group initially measured the transferred real properties at carrying amount at the time of transfer 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.

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 by ₱1.03 billion.

For the year ended December 31, 2019, the management reclassified its fair value gain at the time of transfer amounting to ₱1,030.73 million to retained earnings pursuant to the completion of the rehabilitation plan. The reclassification was applied retrospectively.

- (b) In 2018, the Parent Company acquired additional shares from PGI's minority shareholder which resulted to an increase in percentage (%) of ownership from 91.04% to 91.35% for PGI and 90.69% to 91.00% for OOC. Additional goodwill amounting to ₱7.48 million was also recognized as a result of additional equity ownership gained.

However, the Standard requires that goodwill shall only be determined on the acquisition date and re-measurement shall only be done if there is a change in control. The additional shares acquired by the Parent did not result to any change in control. Thus, the Group corrected the goodwill as of December 31, 2018.

- (c) The Group did not previously recognize the share of non-controlling interest on OOC's capital stock. Prior period adjustment was made to reflect the amount.

21. 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	
		2019	2018	2019	2018
Under common control					
Pryce Retirement Fund, Inc. (PRFI)	(Payments)	(P17,916,261)	P-	P49,743,443	P67,660,704
Pryce Plans, Inc. (PPI)	Advances	600,042	-	600,042	-
Stockholders	Advances	(63,784,177)	-	-	63,784,177
		(P81,100,396)	-	P50,343,485	P131,444,881

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.

Key management personnel compensation

Compensation of the Group's key management personnel are as follows:

	2019	2018
Salaries and other short-term benefits	₱ 29,861,525	₱26,847,611
Retirement benefits	3,076,187.1	2,001,489
	₱32,937,712	₱28,849,100

Material Related Party Transactions (RPT)

The Group adopted the materiality threshold of ten percent (10%) of its total consolidated assets based on its latest consolidated audited financial statements. All material RPTs shall be approved by at least two-thirds (2/3) vote of the BOD with at least a majority of the independent directors voting to approve the material RPT. The threshold shall apply to material RPTs entered between the Group, its subsidiary or affiliate or any related party.

22. REVENUES

The details of this account are as follows:

a) LPG and industrial gases

	2019	2018	2017
LPG, cylinders, stoves and accessories			
Content	₱9,591,501,393	₱9,237,094,792	₱8,392,827,737
Cylinders	354,296,305	309,613,947	253,925,046
Stove and accessories	53,037,747	32,583,234	9,865,831
	9,998,835,445	9,579,291,973	8,656,618,614
Industrial gases			
Oxygen	332,888,719	303,656,912	281,454,148
Acetylene	68,576,053	67,592,478	70,019,774
Other gases	50,837,305	50,999,948	40,021,140
	452,302,077	422,249,338	391,495,062
	₱10,451,137,522	₱10,001,541,311	₱9,048,113,676

b) Real estate

Revenue from real estate amounted to ₱128.14 million, ₱227 million and ₱139.41 million for the years ended December 31, 2019, 2018 and 2017, respectively.

c) Pharmaceutical products

Revenue from sale of pharmaceutical products amounted to ₱51.02 million, ₱44.37 million and ₱38.98 million for the years ended December 31, 2019, 2018 and 2017, respectively.

23. COST OF SALES

a) Cost of sales on LPG and industrial gases for the year ended December 31 are as follows:

	2019	2018	2017
LPG, cylinders, stoves and accessories			
Direct materials	₱6,864,022,703	₱6,825,535,374	₱6,180,389,254
Depreciation – notes 10 and 11	224,028,903	193,578,990	175,225,737
Freight and handling	108,171,047	174,340,173	170,390,924
Direct labor	99,071,739	75,860,533	93,810,494
Outside services	45,041,785	69,670,586	32,472,162
Rent and utilities	30,590,722	28,041,821	22,014,133
Repairs and maintenance	27,756,541	43,069,114	32,975,526
Taxes and licenses	11,856,691	12,674,095	10,016,675
Fuel and oil	11,463,411	5,278,036	7,899,475
Insurance	4,329,127	14,974,297	4,371,262
Others	19,902,031	23,054,123	22,275,068
	7,446,234,757	7,466,077,142	6,751,840,710
Industrial gases			
Direct materials	145,590,923	130,878,462	107,147,316
Depreciation – notes 10 and 11	37,901,387	35,085,123	34,532,187
Direct labor	15,880,039	17,897,106	12,513,702
Rent and utilities	10,392,470	7,738,770	8,599,129
Outside services	5,632,015	6,160,461	5,544,665
Freight and handling	4,962,852	7,855,968	4,699,653
Repairs and maintenance	3,078,295	5,399,393	6,158,756
Taxes and licenses	1,128,242	1,665,000	1,629,913
Insurance	599,593	1,108,545	1,247,672
Others	4,061,628	4,605,848	12,945,332
	229,227,444	218,394,676	195,018,325
	₱7,675,462,201	₱7,684,471,818	₱6,946,859,035

b) Cost of real estate amounted to ₱28.78 million, ₱62.90 million and ₱33.81 million for the years ended December 31, 2019, 2018 and 2017, 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 years ended December 31 are as follows:

	2019	2018	2017
Beginning inventory – note 7	₱8,009,708	₱5,686,286	₱2,743,015
Add: Purchases	31,072,724	32,226,048	30,023,976
Total good available for sale	39,082,432	37,912,334	32,766,991
Less: Ending inventory – note 7	5,228,166	8,009,709	5,686,286
	₱33,854,266	₱29,902,625	₱27,080,705

24. OPERATING EXPENSES

Operating expenses for the years ended December 31 are as follows:

	2019	2018	2017
Selling expenses:			
Salaries, wages and benefits	₱173,796,032	₱126,567,196	₱102,482,230
Depreciation – notes 10, 11 and 34	95,539,196	51,223,139	28,726,215
Fuel and oil	37,143,732	30,141,070	29,257,700
Repairs and maintenance	35,944,533	32,027,170	39,101,007
Outside services	31,708,979	52,037,942	31,787,961
Travel and transportation	24,266,982	8,554,705	13,264,938
Rent and utilities	23,909,142	23,821,355	15,782,471
Freight and handling	21,561,490	17,896,515	47,636,290
Taxes and licenses	17,188,444	11,425,707	6,619,084
Commissions	16,213,083	11,162,777	16,725,769
Materials and supplies	15,717,023	8,759,243	14,888,170
Advertisements	7,869,977	5,668,691	4,236,855
Insurance	7,490,771	4,612,781	1,797,231
Representation and entertainment	1,533,167	2,224,168	5,277,123
Dues and subscriptions	1,205,679	334,111	1,022,687
Professional fees	907,107	765,362	777,479
Training and seminars	405,251	592,535	1,334,824
Others	19,681,419	17,929,528	13,973,306
	532,082,007	405,743,995	374,691,340
General and administrative expenses:			
Salaries, wages and benefits	₱179,747,974	₱115,394,741	₱108,418,417
Depreciation – notes 10 and 11	84,718,552	89,030,394	81,273,489
Repairs and maintenance	67,556,356	59,439,084	49,852,695
Travel and transportation	29,521,307	20,102,346	25,095,673
Retirement benefits expense – note 28	25,583,642	25,321,034	14,487,168
Taxes and licenses	21,618,997	14,055,346	8,947,629
Fuel and oil	16,345,009	12,140,415	18,405,844
Materials and supplies	15,370,954	17,441,061	15,832,300
Rent and utilities	12,346,731	15,044,009	19,976,898
Professional fees	9,500,829	9,789,678	5,876,457
Dues and subscriptions	8,408,970	7,675,765	14,829,547
Insurance	8,002,246	5,644,554	6,306,432
Freight and handling	5,797,493	3,402,667	12,084,385
Outside services	5,466,774	13,801,903	16,791,041
Donation	4,370,480	2,046,837	2,050,125
Meetings and conferences	4,170,484	3,529,061	5,166,589
Advertisements	3,566,949	1,583,247	12,010,102
Representation and entertainment	2,299,292	5,943,813	10,923,319
Training and seminars	687,856	819,300	2,389,326
Others	47,851,595	50,197,233	39,890,944
	552,932,490	472,402,488	470,608,380
	₱1,085,014,497	₱878,146,483	₱845,299,720

Other general and administrative expenses pertain to communications and auxiliary expenses of the Group.

25. FINANCE COSTS

Finance costs for the years ended December 31 are as follows:

	2019	2018	2017
Importations	P644,407	P3,494,998	P11,879,042
Debts			
Short-term – note 17	47,729,954	30,683,847	19,581,592
Lease liability – note 34	4,204,701	-	-
	P52,579,062	P34,178,845	P31,460,634

26. OTHER INCOME

Other income for the years ended December 31 are as follows:

	2019	2018	2017
Dividend income – note 5	P48,623,957	P40,734,023	P8,610,501
Gain on sale of financial assets at FVPL – note 5	47,770,075	32,102,718	71,166,680
Unrealized foreign exchange gain	31,381,271	6,411,820	1,459,337
Sale of scrap and junked materials	16,763,556	30,925,879	1,951,936
Interment fees	5,575,640	1,925,433	2,230,565
Rental income	3,160,676	4,059,031	4,226,901
Interest income from banks – note 4	1,639,189	1,334,974	611,927
Gain on sale of property, plant and equipment – notes 10 and 11	1,355,543	30,446,891	2,636,014
Income from reversal of allowance for doubtful accounts – note 6	-	30,589,742	-
Gain on settlement of debts covered by rehabilitation plan	-	-	60,470,818
Retirement benefits income	-	-	2,456,485
Interest income from real estate sales	-	-	431,579
Others	3,072,642	4,032,704	2,151,152
	P159,342,549	P182,563,215	P158,403,895

27. OTHER COMPREHENSIVE INCOME

This account as at December 31 consists of:

	2019	2018
Remeasurement gain on retirement benefits obligation	₱20,848,377	₱20,848,377
Revaluation reserves		
At beginning of year	1,618,932,730	1,702,210,318
Transfer of revaluation reserves deducted from operations through additional depreciation charges – note 10	(118,968,061)	(118,967,983)
Deferred income tax effect on revaluation reserves charged to operations through additional depreciation – note 29	35,690,418	35,690,395
At end of year	1,535,655,087	1,618,932,730
Total other comprehensive income	₱1,556,503,464	₱1,639,781,107

There are no changes in the remeasurement gain on retirement benefit obligation for the years ended December 31, 2019 and 2018 (see Note 28).

28. RETIREMENT BENEFITS OBLIGATION

PGI maintains a retirement benefits plan covering 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.

On the other hand, the Parent Company provides for estimated retirement benefits cost required to be paid under R.A. 7641 to qualified employees.

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 consolidated obligation in respect of retirement benefits as at December 31 are as follows:

	2019	2018
Present value of defined benefit obligation	₱238,672,519	₱217,227,941
Fair value of plan assets	(123,758,744)	(99,980,548)
Net retirement benefits obligation	₱114,913,775	₱117,247,393

Movements in the present value of consolidated defined benefit obligation for the years ended December 31 are as follows:

	2019	2018
Balance at beginning of year	₱217,227,941	₱195,369,927
Current service cost	18,900,540	14,162,088
Interest expense	12,381,993	14,638,055
Benefits paid	(9,837,955)	(6,942,129)
	21,444,578	21,858,014
Balance at end of year	₱238,672,519	₱217,227,941

Movements in the fair value of PGI's plan assets for the years ended December 31 are as follows:

	2019	2018
Balance at beginning of year	₱99,980,548	₱63,313,791
Contributions to the fund	27,917,261	40,129,777
Interest income	5,698,891	3,479,109
	33,616,152	43,608,886
Benefits paid	(9,837,956)	(6,942,129)
Balance at end of year	₱123,758,744	₱99,980,548

The retirement benefits expense recognized in the consolidated statements of comprehensive income for the years ended December 31 are as follows:

	2019	2018
Current service cost	₱18,900,540	₱14,162,088
Net interest costs		
Interest expense	12,381,993	14,638,055
Interest income	(5,698,891)	(3,479,109)
	₱25,583,642	₱25,321,034

The retirement benefits expense is included under general and administrative expenses in the consolidated statements of comprehensive income (see Note 24).

The Group did not incur any remeasurement gain (loss) on retirement benefit obligation for the years ended December 31, 2019 and 2018 (see Note 27).

The fair value of PGI's plan assets consists of cash and cash equivalents as at December 31, 2019 and 2018.

The actual return on PGI's plan assets for the years ended December 31, 2019 and 2018 pertains to interest income amounting to ₱5.70 million and ₱3.48 million, respectively.

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	7.00%	7.00%

The discount rate, also called the zero yield curve, as at December 31, 2019 and 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.

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	1%	(P10,028,877)	P8,827,614
Salary increase rate	1%	623,880	(563,545)

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 follows:

- 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 2019 and 2018. The weighted average duration of the defined benefit obligation for PGI is 6.70 years in 2019 and 2018.

The expected maturity analysis of the undiscounted retirement obligation as at December 31, 2019 and 2018 is as follows:

	After 1 year	Between 2-3 years	Between 4-5 years	Over 5 years	Total
Retirement benefits obligation	P81,558,527	P13,803,915	P13,469,621	P100,472,200	P209,304,263

29. INCOME TAX

The components of income tax expense for the years ended December 31 are as follows:

	2019	2018	2017
Current tax expense	₱433,447,154	₱313,005,665	₱266,746,774
Deferred tax expense (benefit) on the origination and reversal of temporary differences	4,744,168	2,868,373	19,030,552
	₱438,191,322	₱315,874,038	₱285,777,326

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:

	2019	2018	2017
Income before tax	₱1,957,007,251	₱1,718,847,737	₱1,537,723,657
Income tax expense at 30%	587,102,175	515,654,321	461,317,097
Add (deduct) tax effect of the following:			
Income on BOI-registered activities enjoying ITH	(149,543,073)	(230,450,337)	(175,835,967)
Nontaxable income	(32,475,508)	(25,847,787)	(27,091,363)
Gain on sale of financial assets at FVPL	(5,220,620)	(2,008,214)	(2,234,997)
Unrealized fair value (gain) loss on financial assets at FVPL	(4,635,337)	9,256,118	(6,001,464)
Amortization of deferred tax liability on interest expense capitalized to real estate projects	(3,059,995)	-	(3,059,995)
Unrealized profit on intercompany sales which remain unsold to third parties	2,878,199	-	-
Nondeductible expenses	7,455,063	17,187,993	2,993,620
Depreciation on appraisal increase	35,690,418	35,690,395	35,690,395
Change on unrecognized deferred tax assets	-	(3,608,451)	-
Reported income tax expense	₱438,191,322	₱315,874,038	₱285,777,326

The components of deferred tax assets and liabilities accounts in the consolidated statements of financial position are as follows:

	2019	2018
Deferred tax assets:		
Retirement benefits obligation	₱34,474,132	₱35,174,217
Lease liabilities	36,144,279	-
	₱70,618,411	₱35,174,217

	2019	2018
Deferred tax liabilities:		
Revaluation increment in property, plant and equipment	₱658,137,894	₱689,340,040
Right-of-use assets	33,429,982	-
Interest expense capitalized to property, plant and equipment and real estate projects	15,299,973	18,359,969
Unrealized foreign exchange gain	9,414,381	6,411,820
	₱716,282,230	₱714,111,829

For the years ended December 31, 2019 and 2018, the Group recognized income tax expense in other comprehensive income amounting to ₱35.69 million which pertains to income tax effect on revaluation reserve charged to operations through additional depreciation (see Note 27).

The Group availed of the itemized deduction for purpose of income tax calculation in 2019 and 2018.

30. EARNINGS PER SHARE

Earnings per share are computed based on the weighted average number of common shares outstanding during the year.

	2019	2018	2017
Net income attributable to the owners of the Parent Company	₱1,393,343,714	₱1,288,081,156	₱1,148,682,457
Weighted average number of common shares	2,013,756,910	2,024,404,534	2,024,500,000
	₱0.692	₱0.636	₱0.567

Weighted average number of common shares as at December 31, 2017 is the same as the Parent Company's outstanding number of shares which is 2,024,500,000 shares. Weighted average number of common shares as at December 31, 2019 and 2018 is computed as follows:

December 31, 2019

	Outstanding shares	Portion of year outstanding	Weighted average number of common shares
As at January 31, 2019	2,023,354,400	1/12	168,612,867
As at February 28, 2019	2,019,709,900	1/12	168,309,158
As at March 31, 2019	2,017,834,400	1/12	168,152,867
As at April 30, 2019	2,016,431,100	1/12	168,035,925
As at May 31, 2019	2,014,548,500	1/12	167,879,042
As at June 30, 2019	2,013,226,500	1/12	167,768,875
As at July 31, 2019	2,013,090,500	1/12	167,757,542
As at August 31, 2019	2,012,526,500	1/12	167,710,542
As at September 30, 2019	2,011,295,200	1/12	167,607,933
As at October 31, 2019	2,010,348,069	1/12	167,529,006
As at November 30, 2019	2,008,025,169	1/12	167,335,431
As at December 31, 2019	2,004,692,669	1/12	167,057,722
			2,013,756,910

December 31, 2018

	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. INCOME TAX HOLIDAY 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)

Registered activity	Bulk Marketing of Petroleum Products (Talisayan, Zamboanga City LPG Terminal with 2,000 MT Capacity of One (1) additional Storage Tank; Purok, Talisayan, Zamboanga City)
Registered capacity	One (1) LPG Storage Tank with a Capacity of 2,000 MT
ITH entitlement period	01 July 2019 to 30 June 2024 (5 years without extension)

Registered activity	Bulk Marketing of Petroleum Products (Ajuy, Iloilo LPG Terminal with 2,000 MT Capacity of One (1) additional Storage Tank; Brgy. Barrido, Ajuy, Iloilo)
Registered capacity	One (1) LPG Storage Tank with a Capacity of 2,000 MT
ITH entitlement period	01 August 2019 to 31 July 2024 (5 years without extension)

Registered activity	Bulk Marketing of Petroleum Products (Ayungon, Negros Oriental LPG Terminal with 2,000 MT Capacity of One (1) additional Storage Tank; Brgy. Iniban, Ayungon, Negros Oriental)
Registered capacity	One (1) LPG Storage Tank with a Capacity of 2,000 MT
ITH entitlement period	01 August 2019 to 31 July 2024 (5 years without extension)

As at December 31, 2019, there are seven (7) terminals and refilling plant operations enjoying ITH. As at December 31, 2018, five (5) of the LPG terminals and refilling plant operations were 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 Company has zero or negative taxable income. The excess of MCIT over RCIT shall be carried forward and credited against RCIT for the three (3) immediately succeeding taxable years. The current income tax expense in 2019 and 2018 as shown in the statements of comprehensive income both represent the RCIT (see Note 29).

As at December 31, 2019 and 2018, the Group is in compliance with the terms and conditions set forth by BOL.

32. **REAL ESTATE PROPERTIES TRANSFERRED 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 Bureau of Internal Revenue (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.

The real estate properties transferred by Parent Company to PGI are accounted in the Group's consolidated financial statements as investment properties (see Note 12). These are measured at 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. A portion of the investment properties were transferred to its creditors by way of dacion en pago covered by the rehabilitation plan. As of December 31, 2019 and 2018, its remaining investment properties attributable to transferred real estate amounted to ₱352.30 million.

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 which 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 reclassified to retained earnings (see Note 20).

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		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
	<i>(amounts in millions)</i>								
Revenue from external customers	₱128	₱227	₱139	₱10,451	₱10,002	₱9,048	₱51	₱44	₱39
Results									
Income before tax	₱699	₱619	₱816	₱1,869	₱1,603	₱1,409	₱1.3	₱1.2	₱1.1
Income tax expense	(7)	(32)	(29)	(427)	(281)	(257)	(0.4)	(0.4)	(0.3)
Net income for the year	692	587	787	1,442	1,322	1,152	0.9	0.8	0.8
Other information:									
Segment operating assets	₱1,697	₱1,533	₱1,521	₱3,030	₱2,422	₱2,113	₱21	₱18	₱14
Segment liabilities	548	558	517	2,525	1,834	1,028	11	9	10
Capital expenditures	6	4	0.1	1,081	1,663	589	0.1	-	-
Depreciation	28	31	26	412	338	293	0.1	0.1	0.1

34. LEASES

The Group has entered into various lease agreements for its sales centers, terminals, refilling plants and office units as a lessee.

Long-term lease agreements

The Group has entered into various lease agreements with various local companies and individuals for its Visayas and Mindanao operations' sales center offices and lot for its refilling plants for a period ranging from three (3) to twenty (20) years. Monthly rent ranges from ₱8,000 to ₱134,000.

Provision on the renewal or extension of the lease agreements depends upon the mutual agreement of both lessor and lessee.

Right-of-use Assets

The reconciliation of right-of-use assets recognized from the aforementioned long-term lease agreements as at December 31, 2019 is as follows:

	Land	Commercial space/unit	Total
Cost			
Balance at beginning of year, as previously stated	₱-	₱-	₱-
Effect of adoption of PFRS 16 – note 2	51,757,803	-	51,757,803
Balance at beginning of year, as restated	51,757,803	-	51,757,803
Additions	17,445,091	38,287,776	55,732,867
Balance at end of year	69,202,894	38,287,776	107,490,670
Accumulated depreciation			
Balance at beginning of year, as restated – note 2	21,966,747	-	21,966,747
Depreciation	7,702,005	3,118,171	10,820,176
Balance at end of year	29,668,751	3,118,171	32,786,923
Carrying amount, December 31, 2019	₱39,534,143	₱35,169,605	₱74,703,747

The depreciation of right-of-use assets for the year ended December 31, 2019 is allocated as follows:

Cost of sales – Note 23	₱4,751,898
Selling expense – Note 24	6,068,278
	₱10,820,176

Lease Liabilities

The movement in lease liabilities as at December 31, 2019 is as follows:

As at January 1, 2019, as previously reported	P-
Effect of adoption of PFRS 16 – note 2	33,779,303
As at January 1, 2019, as restated	33,779,303
Additions	54,958,681
Interest expense – note 25	4,204,701
Payments	(12,981,511)
As at December 31, 2019	P79,961,174

Lease liabilities, as shown in the consolidated statements of financial position as at December 31, 2019, consist of:

Current	P13,616,354
Noncurrent	66,344,820
	P79,961,174

Interest expense relating to such leases amounting to P2.67 million in 2019 is presented as part of Finance costs under “Other income” in the consolidated statements of comprehensive income (see Note 26).

The Group’s future minimum lease payable related to the above leases as at December 31 is as follows:

	2019	2018
Not later than one (1) year	P19,010,945	P13,019,774
Later than one year and not later than five (5) years	56,120,504	49,517,110
Later than five (5) years	32,827,826	97,188,518
	P107,959,275	P159,725,402

Short-term lease agreements

The Group has entered into various operating lease agreements for its sales centers and office units with various local companies and individuals for a period of one (1) year renewable thereafter upon mutual agreement of both parties. Monthly rental payments range from P4,000 to P25,000.

Prepaid rent amounted to P46.64 million and P25.42 million in 2019 and 2018, respectively (see Note 9).

Total rent incurred for the years ended December 31 is allocated as follows:

	2019	2018
Cost of sales – note 23		
LPG, cylinders, stoves and accessories	₱5,598,600	₱23,392,425
Industrial gases	6,730,244	3,749,638
Operating expenses – note 24		
Selling expenses	13,448,788	11,784,924
General and administrative expenses	2,760,235	15,044,009
	₱28,537,867	₱53,970,996

Prior to adoption of PFRS 16

In 2018, the Group has entered into various operating lease agreements for its sales centers, terminals, refilling plants and office units with various local companies and individuals for a period of one (1) year renewable thereafter upon mutual agreement of both parties. Monthly rental payments range from ₱12,523 to ₱157,500.

Total rent expense related to the operating leases in 2018 amounted to ₱53.97 million.

35. EVENTS AFTER REPORTING PERIOD

Dividend declaration

In a special meeting of the BOD of PGI held on March 31, 2020, the Board approved distribution of a cash dividend to stockholders of record as of April 3, 2020 equivalent to ₱0.12 per share of the outstanding paid up capital of PGI's 2,800,000,000 common shares amounting to ₱336 million paid on April 10, 2020 out of unrestricted retained earnings for cash dividends as of December 31, 2019.

In a meeting held on May 18, 2020, the BOD of the Parent Company also declared cash dividend amounting to ₱238.55 million which is equivalent to ₱0.12 per share to stockholders of record as at June 15, 2020 payable on July 6, 2020.

Impact of COVID-19 pandemic to the Company's operations

In early 2020, the outbreak of a new coronavirus known as COVID-19 has created a global pandemic, which has affected major economies and challenged the capacity of health care systems. In a move to contain the COVID-19 outbreak, on March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed Enhanced Community Quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020. ECQ was likewise imposed in provinces in Visayas and Mindanao as imposed by their respective local government unit. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continues to evolve. On May 16, 2020, the ECQ was downgraded to Modified Enhanced Community Quarantine (MECQ) in Metro Manila and certain provinces in Visayas and Mindanao, and to General Community Quarantine (GCQ) in most provinces in Visayas and Mindanao. Starting June 1, 2020, GCQ was imposed by the government to Metro Manila and most provinces until June 30, 2020. Most affected areas of operation of the Group are Cebu and Davao.

Due to the aforementioned events, there were disruptions in the regular operations of the Group especially in areas placed under ECQ. However, the Group sustained its operations through implementation of skeletal workforce and work-from-home arrangements. Being a supplier of essential commodity such as LPG and industrial gases, most of the Group's sales centers were operational during ECQ period. LPG sales slightly increased as household members are compelled to stay indoors and cook food at home. Demand for oxygen also increased due to the needs of hospitals and other health care facilities.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not affect the consolidated financial statements of the Group as at and for the year ended December 31, 2019. The government's ECQ only slightly affected the Group's first quarter performance since ECQ was implemented near the end of the quarter (3rd week of March 2020). However, the Group expects the succeeding quarters to be adversely affected by the COVID-19 pandemic. If the pandemic continues throughout the year 2020, the Management expects a decline in total sales volume of around 5% to 10% as compared to 2019.

36. 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. Long-term financial investments are managed to generate lasting returns.

The Group's principal financial instruments are composed of cash, trade and other receivables, financial assets at FVPL, trade and other payables (excluding deposit for interment services and due to government agencies), dividends payable, short-term debts and lease liabilities. 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 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:

	2019		2018	
	USD	Philippine Peso (PHP)	USD	Philippine Peso (PHP)
Asset				
Cash	34,701	1,760,868	11,495	606,062
Liability				
Trade payables	8,034,114	407,683,186	8,687,491	458,039,276
Short-term debts	21,196,833	1,075,612,372	13,373,000	705,078,502
	29,230,947	1,483,295,559	22,060,491	1,163,117,778
Net exposure	(29,196,246)	(1,481,534,960)	(22,048,996)	(1,162,511,716)

The foreign currency exchange rates used for USD to PHP were ₱50.74 in 2019 and ₱52.72 in 2018. As a result of translating this foreign currency denominated balances, the Group reported a net unrealized foreign currency exchange gain of ₱31.38 million in 2019 and ₱6.41 million in 2018, and is presented as part of Other income account in the consolidated statements of comprehensive income (see Note 26).

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, 2019 and 2018 (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
2019	1.50	(₱43,794,369)	(₱30,656,058)
	1.00	(29,196,246)	(20,437,372)
	(1.50)	43,794,369	30,656,058
	(1.00)	29,196,246	20,437,372
2018	1.50	(₱33,073,494)	(₱23,151,446)
	1.00	(22,048,996)	(15,434,297)
	(1.50)	33,073,494	23,151,446
	(1.00)	22,048,996	15,434,297

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 short-term debts (see Note 17). The impact on the Group's equity is immaterial.

	Increase (Decrease) in Basis Points	Effect in Income Before Tax	Effect in Equity After Tax
2019	1.00	₱132,061,207	₱92,442,845
	0.50	66,030,603	46,221,422
	(1.00)	(132,061,207)	(92,442,845)
	(0.50)	(66,030,603)	(46,221,422)
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 December 31, 2019 and 2018 that are exposed to interest rate risks:

	Interest rates	Within 1 Year
2019		
Variable rate		
Short-term debts	3.60% to 4.80%	₱1,320,612,069
2018		
Variable rate		
Short-term debts	3.60% to 4.50%	₱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 years ended December 31, 2019 and 2018 would increase/decrease by ₱52.13 million and ₱40.27 million, respectively, as a result of the changes in fair value of financial assets at FVPL. Equity as at December 31, 2019 and 2018 would increase/decrease by ₱36.49 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

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, 2019				
	Basis of Recognizing ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash in banks	(a)	₱957,568,837	₱-	₱957,568,837
Trade receivables	(b) Lifetime ECL	259,505,079	-	259,505,079
Other receivables	(b) Lifetime ECL	120,819,541	-	120,819,541
Advances to related parties	(a)	50,343,485	-	50,343,485
		₱1,388,236,942	₱-	₱1,388,236,942

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	142,461,096	-	142,461,096
Advances to related parties	(a)	131,444,881	-	131,444,881
		₱1,238,536,195	₱-	₱1,238,536,195

- (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.

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, 2019 and 2018. 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.

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 (30) days from receipt by buyer of notice of cancellation or demand for rescission of contract.

Trade receivables are generally collected within the normal credit terms. Hence, the Group assessed that the effect of computation of ECL on trade receivables would be insignificant. Further, trade receivables arising from sale of real estate are effectively collateralized by memorial lots and the fair value of the memorial lots sold when reacquired is sufficient to cover the outstanding balance of related receivables arising from the sale. Further, allowance was not provided for past due but not impaired trade and other receivables in 2019 and 2018 as amount involve is not significant. In the case of receivables from memorial lot owners, the outstanding receivables are related to customers with high credit standing and no experience of default in the past. 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. Overall, the counterparties to trade and other receivables had no history of default upon demand of payment, hence, the management assessed that probability of default is remote.

The table below shows the aging analysis of the Group's financial assets:

December 31, 2019

	Neither past due nor impaired	Past due but not impaired			Total
		Less than 30 days	31-60 days	61-90 days	
Cash in banks	P957,568,837	P-	P-	P-	P957,568,837
Trade and other receivables	376,361,302	3,239,546	412,189	311,583	380,324,620
Advances to related parties	50,343,485	-	-	-	50,343,485
	P1,384,273,624	P3,239,546	P412,189	P311,583	P1,388,236,942

December 31, 2018

	Neither past due nor impaired	Past due but not impaired			Total
		Less than 30 days	31-60 days	61-90 days	
Cash in banks	P770,081,532	P-	P-	P-	P770,081,532
Trade and other receivables*	333,014,059	2,226,009	490,008	1,279,706	337,009,782
Advances to related parties	131,444,881	-	-	-	131,444,881
	P1,234,540,472	P2,226,009	P490,008	P1,279,706	P1,238,536,195

The Group does not have impaired financial assets as at December 31, 2019 and 2018.

The expected loss rates are based on the payment profiles over a period of 24 months before December 31, 2019 and 2018 and the corresponding historical credit losses experienced within this period. The historical observed default rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. In 2019 and 2018, the Group's ECL rate is zero for accounts that are current because there has been no experience of loss or default from customers in the past. Moreover, the estimated ECL on past due receivables were deemed immaterial.

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, 2019

	Within 1 year	Later than 1 year but not more than 5 years	Total
Trade and other payables*	₱ 1,056,473,202	₱-	₱1,056,473,202
Short-term debts	1,320,612,069	-	1,320,612,069
Dividends payable	251,486,815	-	251,486,815
Lease liabilities	13,616,354	66,344,820	79,961,174
	₱2,642,188,440	₱66,344,820	₱2,708,533,260

**Trade and other payables exclude deposit for park internment services amounting to ₱105.76 million and amount payable to government agencies amounting to ₱50.68 million as at December 31, 2019.*

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.*

37. CAPITAL RISK OBJECTIVE AND MANAGEMENT

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 Group's ratio of interest-bearing debt to total capital as at December 31 is as follows:

	2019	2018
Total interest-bearing debt (a)	₱1,320,612,069	₱905,078,052
Total equity (b)	9,193,730,952	8,363,548,972
	₱10,514,343,021	₱9,268,627,024
Gearing ratio (a/b)	14%	11%

The Group's ratio of net interest-bearing debt to total capital as at December 31 is as follows:

	2019	2018
Total interest-bearing debt	₱1,320,612,069	₱905,078,052
Less: Cash in banks	957,568,837	770,081,532
Financial assets at FVPL	1,042,561,957	805,336,648
Net interest-bearing debt (a)	(679,518,725)	(670,340,128)
Total equity	9,193,730,952	8,363,548,972
Net interest-bearing debt and equity (b)	₱8,514,212,227	₱7,693,208,844
Gearing ratio (a/b)	(7.98%)	(8.71%)

The Group is not subject to any externally imposed capital requirements.

38. 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 hierarchy	Valuation technique
	2019	2018		
Financial assets at FVPL	₱1,042,561,957	₱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 are not measured at fair value on recurring basis but the fair value disclosure is required:

	2019		2018		Fair value hierarchy	Valuation technique
	Fair Value	Carrying value	Fair value	Carrying value		
Financial asset						
Advances to related parties	₱ 44,975,367	₱50,343,485	₱107,370,410	₱131,444,881	Level 3	(c)
Non-financial asset						
Investment Properties	847,028,856	389,328,616	703,088,686	389,328,616	Level 2	(a)
	₱892,004,223	₱439,672,101	₱810,459,096	₱520,773,497		
Financial liabilities						
Lease liabilities	₱66,344,820	₱66,344,820	₱-	₱-	Level 3	(c)

(a)

- (b) 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.
- (c) Advances to related parties and lease liabilities

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 3.83% in 2019 and 6.98% 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.

There has been no transfer from one fair value hierarchy level to another.

* * *



Diaz Murillo
Dalupan and Company



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THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

Independent Auditor's Report on Supplementary Schedules

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 in accordance with Philippine Standards on Auditing, the consolidated financial statements of **Pryce Corporation and Subsidiaries** (the Group) as at December 31, 2019 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated June 30, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

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. 8147696, January 18, 2020, Makati City

BIR Accreditation No. 08-001911-011-2019, effective until March 27, 2022

June 30, 2020

Global Reach, Global Quality

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Website : www.dmdcpa.com.ph



Diaz Murillo
Dalupan and Company



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AND ACCOUNTING NETWORK

**Independent Auditor's Report on
Components of Financial Soundness Indicators**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of **Pryce Corporation and Subsidiaries** (the Group) as at December 31, 2019 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated June 30, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

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

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PRYCE CORPORATION AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2019

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PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE A – FINANCIAL ASSETS
DECEMBER 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
San Miguel Corp. Series 2-C Preference	₱5,415,270	₱419,683,425	₱419,683,425	₱-
First Philippine Holdings Corp.	3,057,655	210,825,312	210,825,312	-
Ginebra San Miguel Inc.	3,673,565	139,595,470	139,595,470	-
Global-Estate Resorts, Inc.	115,893,000	139,071,600	139,071,600	-
Metro Pacific Investment Corp.	11,670,000	40,611,600	40,611,600	-
San Miguel Corp. Sub Series 2-E Preference	271,250	20,886,250	20,886,250	-
San Miguel Corp. Sub Series 2-F Preference	212,630	16,117,354	16,117,354	-
San Miguel Corp. Sub Series 2-I Preference	180,030	13,538,256	13,538,256	-
San Miguel Corp. Sub Series 2-G Preference	170,000	12,920,000	12,920,000	-
Global Ferronickel Holdings, Inc.	6,980,000	12,494,200	12,494,200	-
San Miguel Corp. Sub Series 2-D Preference	124,650	9,348,750	9,348,750	-
Lopez Holdings Corporation	1,394,000	5,171,740	5,171,740	-
Philippine National Bank	59,000	2,035,500	2,035,500	-
Fillinvest Land, Inc.	175,000	262,500	262,500	-
Total	₱149,276,050	₱1,042,561,957	₱1,042,561,957	₱-

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, 2019

Name of Debtor	Debtor designation	Balance at Beginning of the Period	Additions	Amount Collected	Amounts Written off	Current	Non-current	Balance at End of the Period
1 . Deguit, Ethelbert	Officer	P1,671,880	P1,255,059	P1,342,275	P-	P1,342,050	P242,613	P1,584,664
2 . Sulatre, Alexis	Officer	-	1,174,103	47,837	-	191,347	934,919	1,126,266
3 . Ascaño, Mark Alf	Officer	406,979	1,052,908	465,831	-	514,476	479,580	994,056
4 . Competente, Roque	Officer	219,411	969,887	218,412	-	374,758	596,128	970,886
5 . Leung, Carmen	Officer	-	2,032,056	1,308,469	-	244,007	479,580	723,587
6 . Avila, Manuel	Officer	647,279	348,641	285,976	-	348,474	361,470	709,944
7 . Isidro, Joy	Officer	-	1,682,283	1,112,995	-	207,244	362,045	569,289
8 . Espino, Ethel	Officer	624,869	-	91,576	-	91,576	441,718	533,293
9 . Eco, Servillano Jr.	Officer	666,899	-	142,402	-	239,695	284,802	524,497
10 . Lagunay, Jose Jr.	Officer	510,241	292,571	312,048	-	275,005	215,759	490,764
11 . Damo, Leizel	Officer	-	855,000	380,000	-	155,347	319,653	475,000
12 . Fernandez, Julie Ann	Officer	-	535,084	66,886	-	96,804	371,394	468,199
13 . Rafisura, Reynante	Staff	-	483,302	64,440	-	97,521	321,341	418,862
14 . Villegas, Franz Jonas	Officer	375,425	405,322	401,365	-	288,763	90,619	379,382
15 . Veloso, Rolando	Officer	479,265	-	120,821	-	157,059	201,385	358,444
16 . Paasa, Christy Ann	Staff	495,768	-	163,977	-	64,248	267,542	331,790
17 . Pingli, Allian	Staff	-	494,519	184,386	-	310,133	-	310,133
18 . Perez, Noime	Staff	-	300,207	-	-	300,207	-	300,207
19 . Solano, Jeofrey	Staff	-	292,798	7,500	-	285,298	-	285,298
20 . Baco, Michael	Staff	133,093	360,890	233,441	-	260,542	-	260,542
21 . Cuady IV, Julius	Officer	-	250,196	5,323	-	244,873	-	244,873
22 . Mameng, Edenor	Staff	-	378,747	134,187	-	244,561	-	244,561
23 . Eslais, Mavi Chiergie	Staff	-	357,604	144,210	-	213,394	-	213,394
24 . Demetrio, Yvone	Staff	-	516,746	311,329	-	205,418	-	205,418
25 . Matuguina, Ronald	Staff	-	229,802	30,897	-	198,904	-	198,904
26 . Eslit, Anthony	Staff	-	215,721	19,025	-	196,696	-	196,696
27 . Sangalang, Alexander	Staff	-	668,489	478,215	-	190,273	-	190,273
28 . Lumahang, Enrique	Staff	-	292,096	109,496	-	182,601	-	182,601
29 . Pineda, Editha	Staff	-	184,090	4,100	-	179,990	-	179,990

30 .	Dagalea, Dennis	Staff	-	290,286	117,180	-	173,106	-	173,106
31 .	Cocamas, Ihrick	Staff	-	624,482	451,958	-	172,524	-	172,524
32 .	Luzano, Jun Ray	Staff	-	177,529	5,524	-	172,005	-	172,005
33 .	Sumalinog, Wilmar	Staff	-	198,374	28,921	-	169,452	-	169,452
34 .	Laot, Herminigildo	Staff	-	155,628	-	-	155,628	-	155,628
35 .	Melendez, Archie	Staff	-	145,294	5,342	-	139,952	-	139,952
36 .	Seguritan, Rolly	Staff	-	356,381	218,435	-	137,947	-	137,947
37 .	Padernal, Kyle	Staff	-	320,858	184,914	-	135,944	-	135,944
38 .	Campos, Rogelio	Staff	-	1,959,037	1,829,289	-	129,748	-	129,748
39 .	Pacheco, Ariel	Staff	-	133,308	4,825	-	128,483	-	128,483
40 .	Aquino, Romulo	Staff	-	145,745	25,864	-	119,881	-	119,881
41 .	Pongos, Zachary	Officer	179,128	177,043	254,550	-	101,620	-	101,620
42 .	Various Employees	Staff	25,385,014	30,799,802	31,421,579	-	18,057,809	6,705,428	24,763,237
Total			P31,795,251	P51,111,888	P42,735,800	P-	P27,495,362	P12,675,977	P40,171,338

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF
FINANCIAL STATEMENTS
DECEMBER 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	P171,498,383	P1,044,595,068	P-	P-	P-	P1,216,093,451	P1,216,093,451
Pryce Gases, Inc.	Pryce Corporation	80,600,000	-	5,911,072	-	-	74,688,928	74,688,928
Pryce Gases, Inc.	Pryce Pharmaceuticals, Inc.	1,971,291	636,480	-	-	-	2,607,771	2,607,771
Pryce Corporation	Pryce Gases, Inc.	169,400,000	-	44,515,074	-	-	124,884,926	124,884,926
		P423,469,674	P1,045,231,548	P50,426,146	P-	P-	P1,418,275,076	P1,418,275,076

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE D – LONG TERM DEBT
DECEMBER 31, 2019

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt" in related statement of financial position	Amount shown under caption "Long-term debt" in related statement of financial position
Not Applicable			

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS
FROM RELATED COMPANIES)
DECEMBER 31, 2019

Name of related parties	Balance at beginning of period	Balance at end of period
Not Applicable		

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE F – GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2019

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
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Not Applicable

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE G—CAPITAL STOCK
DECEMBER 31, 2019

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	60,411,516	1,873,026,034

**RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION**

As of December 31, 2019

PRYCE CORPORATION

17th Floor Pryce Center, 1179 Chino Roces Avenue Corner Bagtikan Street, Makati City, Philippines

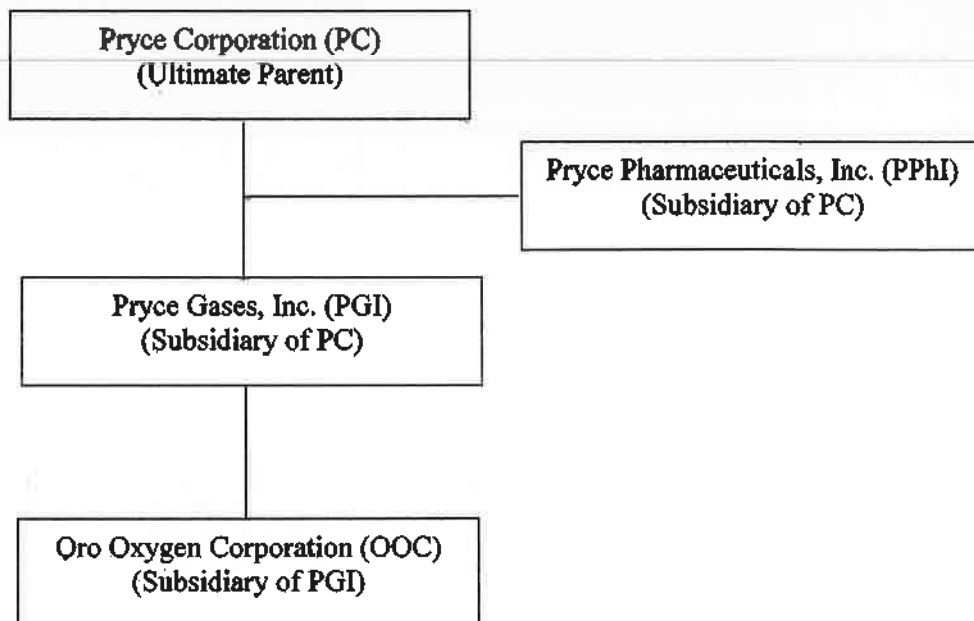
Retained earnings available for declaration of dividend as at December 31, 2019 is computed as follows:

Unappropriated Retained Earnings, as adjusted-to available for dividend distribution, beginning of the year		₱550,094,455
Add: Net income actually earned/realized during the year		
Net income during the period closed to Retained Earnings		691,527,183
Less: Non-actual/unrealized income net of tax:		
Fair value adjustment (mark-to-market gains)		(15,451,122)
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)		6,407,486
Net income actually earned during the year		1,232,578,002
Add (Less):		
Dividend declarations during the year	(₱480,131,012)	
Treasury shares	(191,622,697)	
Sub-Total		(671,753,709)
TOTAL RETAINED EARNINGS, END OF THE YEAR AVAILABLE FOR DIVIDEND		₱560,824,293

PRYCE CORPORATION AND SUBSIDIARIES
ANNEX 68 –E SCHEDULE OF FINANCIAL SOUNDESS INDICATORS
DECEMBER 31, 2019

Ratio	Formula	Current Year	Prior year
Current ratio	Current assets / Current liabilities	1.54	1.65
Acid test ratio	Quick asset / Current liabilities (Quick assets includes current assets and inventory)	1.49	1.62
Solvency ratio	EBITDA / Total debt (Total debt includes short-term debt, long-term debt and current portion of long-term debt)	0.621	0.657
Debt-to-equity ratio	Total debt / Consolidated stockholders' equity	0.429	0.386
Asset-to-equity ratio	Total assets / Consolidated stockholders' equity	1.433	1.386
Interest rate coverage ratio	EBITDA / Interest expense	46.630	62.084
Return on equity	Net income attributable to equity holders of the company / Average total stockholders' equity	17.30%	18.02%
Return on assets	Net income after tax / Average total assets	12.26%	13.21%
Net profit margin	Net income attributable to equity holders of the company / Total consolidated revenue	14.29%	13.66%

PRYCE CORPORATION AND SUBSIDIARIES
ANNEX "A" – MAP OF CONGLOMERATE OR GROUP
OF COMPANIES WITHIN WHICH THE COMPANY BELONGS
DECEMBER 31, 2019



PRYCE CORPORATION (Parent Company)

Aging of Accounts Receivable

As of December 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	1,761,674	347,170	500,591	510,709	403,204				
2. Low-cost housing	1,284,761	117,705	209,923	316,799	362,429	277,905			
3. Memorial Parks	124,703,018	15,414,750	16,516,703	18,390,593	21,690,737	25,596,042	27,094,193		
4. Head Office	52,562	52,562							
Totals	127,802,015	15,932,187	17,227,217	19,218,101	22,456,370	25,873,947	27,094,193	-	-
Less: Allow. For Doubtful Acct.									
Sub Total	127,802,015	15,932,187	17,227,217	19,218,101	22,456,370	25,873,947	27,094,193	-	-
b. Non-trade Receivables									
Advances to Officers & Employees	9,193,342	2,696,885	2,251,420	2,086,546	2,158,491				
Advances to Suppliers & Contractors	103,657	25,468	34,128	44,061					
Others	7,850,444	5,547,564	111,215	1,095,832	1,095,833				
Totals	17,147,443	8,269,917	2,396,763	3,226,439	3,254,324	-	-	-	-
Less: Allow. For Doubtful Acct.									
Sub Total	17,147,443	8,269,917	2,396,763	3,226,439	3,254,324	-	-	-	-
Grand Total	144,949,458	24,202,104	19,623,980	22,444,540	25,710,694	25,873,947	27,094,193	-	-

Accounts Receivable Description

Type of Receivables	Subdivision	Nature/Description	Collection period
1. Installment Receivables	Low cost housing		1-7 years
	Memorial parks		1-15 years
	Condominium Office		1-3 years
	Commercial lot		1-5 years
	Head Office		1-3 months

COVER SHEET

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P	R	Y	C	E		C	O	R	P	O	R	A	T	I	O	N								
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(Company's Full Name)

1	7	/	F		P	R	Y	C	E		C	E	N	T	E	R		1	1	7	9		C	H	I	N	O		
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R	O	C	E	S		A	V	E	N	U	E		M	A	K	A	T	I		C	I	T	Y						
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(Business Address: No. Street City/ Town / Province)

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

Contact Person

(02) 8 899-4401

Company Telephone Number

1	2
---	---

Month

3	1
---	---

Day

Fiscal Year

S	E	C		1	7	-	Q
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FORM TYPE

1	2
---	---

Month

1	1
---	---

Day

ANNUAL MEETING

--

Secondary License Type, if Applicable

M	S	R	D
---	---	---	---

Dept. Requiring this Doc.

--

Amended Articles Number/Section

359 (as of Sept. 30, 2020)

Total No. of Stockholders

--

Domestic

--

Foreign

To be accomplished by SEC Personnel concerned

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File Number

LCU

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Document I.D.

Cashier

STAMPS



Josema Ordenes <josema.ordenes@prycecorp.com>

Pryce Corporation_SEC 17-Q (3rd Qtr 2020)_November 13, 2020

3 messages

Josema Ordenes <josema.ordenes@prycecorp.com>

Fri, Nov 13, 2020 at 3:48 PM

To: MSRD COVID19 <msrd_covid19@sec.gov.ph>, cgfd@sec.gov.ph, ictdsubmission@sec.gov.ph

Cc: Efren Palma <efren.palma@prycegases.com>, Earl Christian Lerio <earl.lerio@prycegases.com>, Fritzie

Liza Badoles <fritzie.badoles@prycegases.com>, Christine Desiree Caina

<christine.caina@prycegases.com>, Alan Ascabano <alan.ascabano@prycecorp.com>, Elvira Clemente

<elvira.clemente@prycecorp.com>

Securities & Exchange Commission

Attention: Corporate Governance & Finance Dept. and Market Securities
Regulation Dept.

Gentlemen:

Pryce Corporation hereby submits to the SEC via email the attached documents consisting of the SEC17-Q for the 3rd Qtr report for 2020 and the relevant Consolidated Financial Statements (with Notes thereto and Annexes & Supplementary Schedules) and the notarized Certification.

Hard copies of the attached documents were sent via courier, ref. Libcap Waybill No. 420872 (also attached) and pouched to contain 1 set of original copy & 2 sets photocopy of the same documents herein mentioned.

Respectfully,

Pryce Corporation

Jose Ma. C. Ordenes

Corporate Information & Compliance Officer

2 attachments

Pryce Corp._SEC-17Q 3rd-Qtr_Sept_2020_November 13, 2020.pdf
4581K



Libcap Way Bill # 420872 re SEC 17-Q.pdf
286K

ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>
To: josema.ordenes@prycecorp.com

Fri, Nov 13, 2020 at 3:49 PM

Dear Customer,

SUCCESSFULLY ACCEPTED

(subject to verification and review of the quality of the attached document)

Thank you.

SEC ICTD.

MSRD COVID19 <msrd_covid19@sec.gov.ph>

Mon, Nov 16, 2020 at 2:24 PM

To: "Maria Theresa S. Posadas" <mtsposadas@sec.gov.ph>, Josema Ordenes
<josema.ordenes@prycecorp.com>

Sir/Madam,

We acknowledge receipt of your email below and the attached documents thereto.

Thank you.

Regards,

MARKETS AND SECURITIES REGULATION DEPARTMENT

PHILIPPINE SECURITIES AND EXCHANGE COMMISSION

[Quoted text hidden]

2 attachments

Pryce Corp._SEC-17Q 3rd-Qtr_Sept_2020_November 13, 2020.pdf
4581K



Libcap Way Bill # 420872 re SEC 17-Q.pdf
286K

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 September 30, 2020
 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 September 30, 2020.
- | <u>Title of Each Class</u> | <u>No. of Issued & Outstanding shares</u> |
|----------------------------|---|
| Common Shares | 1,946,461,269 |
| Treasury Shares | 78,038,731 |
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

The consolidated revenues of the company rose to Php 8.994 billion for the period ended September 30, 2020, which is 14.03% higher than last year's Php 7.887 billion. The increase in gross revenues is largely explained by the growth in sales volume of LPG content. Over the same period, net income also increased to Php 1.222 billion from Php 1.207 billion in 2019, a percentage growth of 1.24%.

Real estate sales and development is the business of the Parent Company, Pryce Corporation. LPG products (LPG, cylinders & accessories) and industrial gases are the product lines of Parent Company's subsidiary, Pryce Gases, Inc. (PGI) under the PryceGas brand. Vitamins and some over-the-counter pharmaceutical products are handled by Pryce Pharmaceuticals, Inc., another subsidiary of PPC. Oro Oxygen Corporation (OOC), a wholly-owned subsidiary of PGI, handles the same products as PGI's, but operates only in Luzon.

Revenues and Volume Growth

Compared to year-ago figures, consolidated revenues grew by 14.03% to Php 8.994 billion from Php 7.887 billion. This growth in revenues was primarily due to the 15.45% increase in LPG revenues, which accounts for more than 90% of the company's revenues. LPG revenues consist of sales of LPG content, cylinders, LPG generators, and LPG stoves & accessories. Consolidated revenues broken down by product line are as follows: liquefied petroleum gas (LPG) products, Php 8.527 billion (or 94.81% of total); industrial gases, Php 323.97 million (3.6%); real estate sales, Php 100.26 million (1.11%); and pharmaceutical products, Php 42.47 million (0.47%).

Sales volume of LPG content (cooking gas) increased by 9.5%, from 162,559 metric tons in 2019 to 178,052 metric tons in 2020. In terms of peso sales, LPG products increased by 15.45% from Php 7.386 billion to Php 8.527 billion.

Due to the effects of the continuing pandemic, industrial gas sales declined by 5.12% to Php 323.97 million compared to the year-before figure of Php 341.46 million. Total sale of industrial gas cylinders similarly decreased by 9.08% to 809,692 cylinders from last year's 890,544 cylinders.

The real estate segment contributed Php 100.26 million to the group's revenues, which is 18.25% lower than the previous year's Php 122.65 million since the latter includes sale of office condo units in Davao. Pharmaceutical products added Php 42.47 million, 13.80% higher than the year-ago sales figure of Php 37.32 million.

Price Movement and Market Demand

Owing to the Coronavirus Pandemic, which caused a drastic fall in global LPG demand, the average international LPG contract price ("CP") during the period under review dropped to U.S.\$ 394.28 per metric ton, 10.23% lower than 2019's U.S.\$ 439.22 per metric ton over the same period. The peso-sale of LPG content would have been higher had it not been for such drop in average CP and, consequently, of local LPG prices.

The country's LPG demand for the first half of 2020 was 845 thousand metric tons, 4.7% lower than 2019's 887 thousand metric tons, as shown by data from the Department of Energy (DOE).

Competition and Market Share

PGI is currently the 2nd biggest player in both the Visayas and Mindanao (Vis-Min) areas and has a combined market share of 24%. On a country-wide basis, PGI has a 12.50% share of the local LPG market demand, equivalent to 105,000 metric tons. These data are based on the DOE's report as of the first semester of 2020.

Profitability

Total gross margin by the 3rd quarter of 2020 reached Php 2.405 billion, 23.67% higher than the previous year's Php 1.945 billion.

Income from operations this year was Php 1.456 billion and is 20.58 % higher than last year's figure of Php 1.207 billion. After considering other income, as well as other expenses and the provision for income tax, the after-tax net income resulted to Php 1.222 billion for the year, 1.24% higher than last year's Php 1.207 billion. Earnings per share similarly increased to Php 0.5732 per share from Php 0.5528 per share.

Notwithstanding the Coronavirus Pandemic, the management still sees the last quarter as the strongest in terms of LPG sales and income because of the December festivities/holidays.

Liquidity

Total liquid assets of the company as of September 30, 2020 reached Php 2.360 billion, which consists of Cash of Php 1.254 billion and Financial Assets at fair value of Php 1.106 billion. This is 9.42% higher than the Php 2.157 billion recorded as of yearend 2019 based on audited accounts.

Current ratio as of the end of the third quarter of 2020 was at 1.69 and total debt-to-equity ratio registered at 0.41.

Balance Sheet Changes

Compared to the December 31, 2019 audited financial statements, the significant movements in balance sheet accounts are as shown below.

Account Name	% Increase or (Decrease)	Reason for Change
Cash	12.49%	Due to the income for the period
Financial assets at fair value	6.13%	Due to increase in market value of marketable securities and additional purchases
Trade and other receivables	16.58%	Increase in credit sales and slowdown of collection
Inventories	5.35%	Due to increase in importation
Real estate projects	5.06%	Due to proper classification of account and minor additions
Prepayments and other current assets	(34.99%)	Application of input VAT and amortization of prepayments
Advances to related parties	5.38%	Additional availment of advances and products by affiliates
Right-of-use asset	(8.57%)	Amortization on right-of-use asset on leasehold

Trade and other payables	18.59%	Increase in purchases and various accruals
Dividends payable	(92.89%)	Due to payment of dividends
Income tax payable	(40.07%)	Payment of income tax
Lease liabilities (current)	11.15%	Accrual of finance cost
Retirement benefit obligation	(30.59%)	Due to payment/ additional contribution to retirement fund
Lease liabilities (net of current portion)	(9.56%)	Due to payment of lease liabilities
Retained earnings	19.69%	Due to net income of 2020
Treasury stock	92.06%	Due to additional buy back of Parent Company's shares
Non-controlling interest	14.67%	Due to increase in net income

Numerical Performance Indicators

The measures of revenue growth are presented below.

REVENUE GROWTH			
Pryce Corporation & Subsidiaries			
	2020 (Sept. 30, 2020)	2019 (Sept. 30, 2019)	Percent Growth/ (Decline)
REVENUE	8,993,585,528	7,887,005,575	14.03%

VOLUME GROWTH			
Principal Product – Liquefied Petroleum Gas (LPG) in metric tons			
	2020 (Sept. 30, 2020)	2019 (Sept. 30, 2019)	Percent Growth/ (Decline)
LPG Content (in MT)	178,052	162,559	9.53%

Measurements on profitability are shown below.

	2020 (Sept. 30, 2020)	2019 (Sept. 30, 2019)
Return on Assets (%)	11.50%	12.17%
Return on Equity (%)	17.20%	17.66%
Net profit margin (%)	16.78%	18.21%

The measurements on liquidity are shown below.

LIQUIDITY		
Pryce Corporation & Subsidiaries		
	2020 (Sept. 30, 2020)	2019 (Sept. 30, 2019)
Current ratio	1.69	1.75
Debt to equity ratio	0.41	0.38

PART II – OTHER INFORMATION

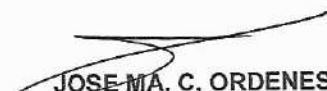
In the 3rd quarter of 2020, reports filed with the PSE and SEC by way of SEC 17-C were the following: Annual Report for 2019 (with AFS & Sustainability Report); Quarterly Reports for the 1st and 2nd quarters; Revised Manual on Corporate Governance; Postponement of the Annual Stockholders' Meeting; and various buybacks of the parent company's shares.

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
 SVP - Treasurer


SALVADOR P. ESCAÑO
 Chairman & CEO

November 11, 2020

PRYCE CORPORATION AND SUBSIDIARIES

Financial Statements

**For the period ended September 30, 2020 and
December 31, 2019**

PRYCE CORPORATION and SUBSIDIARIES
Consolidated Statements of Financial Position
As at September 30, 2020 (Unaudited) and December 31, 2019 (Audited)

	2020	Audited 2019
ASSETS		
Current assets		
Cash - note 4	1,253,719,757	1,114,563,626
Financial assets at fair value through profit or loss (FVPL) - note 5	1,106,503,730	1,042,561,957
Trade and other receivables (net) - note 6	443,370,757	380,324,620
Inventories - note 7	1,300,498,861	1,234,397,458
Real estate projects - note 8	885,158,335	842,566,291
Prepayments and other current assets - note 9	88,541,655	136,201,481
	5,077,793,095	4,750,615,433
Noncurrent assets		
Advances to related parties - note 21	53,051,387	50,343,485
Property, plant and equipment (net) - notes 10 and 11	8,067,323,470	7,726,703,455
Right-of-use asset (net) - note 31	68,303,744	74,703,747
Investment properties - note 12	389,328,616	389,328,616
Deferred tax and other assets	70,711,740	70,618,411
Goodwill - note 13	70,668,305	70,668,305
Other noncurrent assets - note 14	42,772,805	44,898,060
	8,762,160,067	8,427,264,079
TOTAL ASSETS	13,839,953,162	13,177,879,512
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables - note 15	1,438,433,894	1,212,909,745
Income tax payable	110,295,751	184,030,560
Customers' deposits - note 16	106,822,064	104,873,353
Lease liabilities (current) - note 31	15,134,188	13,616,354
Short-term debts - note 17	1,321,318,561	1,320,612,069
Dividends payable - note 20	17,877,128	251,486,815
	3,009,881,586	3,087,528,896
Noncurrent liabilities		
Retirement benefit obligation - note 28	79,756,678	114,913,775
Lease liabilities (net of current portion) - note 31	60,004,449	66,344,820
Deferred tax liabilities	690,132,321	716,282,230
	829,893,448	897,540,825
TOTAL LIABILITIES	3,839,775,034	3,985,069,721
Equity		
Equity attributable to equity holders of the Parent Company		
Capital stock - note 18	2,024,500,000	2,024,500,000
Additional paid-in capital	369,834,820	369,834,820
Retained earnings - note 20	5,870,394,378	4,904,623,195
Other comprehensive income - note 27	1,496,918,693	1,556,503,464
Treasury stock - note 19	(368,023,807)	(191,622,697)
	9,393,624,084	8,663,838,782
Non-controlling interest	606,554,043	528,971,009
TOTAL EQUITY	10,000,178,128	9,192,809,791
TOTAL LIABILITIES AND EQUITY	13,839,953,162	13,177,879,512

(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 September 30, 2020 and 2019

	2020	2019
REVENUES - note 22		
Liquefied petroleum and industrial gases	8,850,855,622	7,727,035,750
Real estate	100,263,580	122,651,636
Pharmaceutical products	42,466,326	37,318,189
	8,993,585,528	7,887,005,575
COST OF SALES - note 23		
Liquefied petroleum and industrial gases	6,543,774,795	5,885,818,852
Real estate	16,591,975	31,668,754
Pharmaceutical products	28,027,775	24,664,593
	6,588,394,545	5,942,152,199
GROSS INCOME	2,405,190,983	1,944,853,376
OPERATING EXPENSES - note 24	949,567,369	737,658,207
INCOME FROM OPERATIONS	1,455,623,614	1,207,195,170
OTHER INCOME (CHARGES) - Net		
Finance costs - note 25	(43,365,040)	(32,420,660)
Fair value gain (loss) on financial assets at FVPL	(9,576,401)	111,417,991
Other income (net) - note 26	106,887,670	149,912,984
	53,946,229	228,910,315
NET INCOME BEFORE TAX	1,509,569,843	1,436,105,485
Provision for Income Tax	(287,275,389)	(228,761,383)
NET INCOME	1,222,294,454	1,207,344,101
Total comprehensive income attributable to:		
Equity holders of the Parent Company	1,115,652,576	1,111,220,011
Non-controlling interests	106,641,878	96,124,090
	1,222,294,454	1,207,344,101
EARNINGS PER SHARE - note 29	0.5732	0.5528

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

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

	Period July 1 to September 30	
	2020	2019
REVENUES		
Liquefied petroleum and industrial gases	3,041,516,857	2,507,653,371
Real estate	38,820,713	46,937,026
Pharmaceutical products	13,553,420	12,669,324
	3,093,890,990	2,567,259,721
COST OF SALES		
Liquefied petroleum and industrial gases	2,261,070,936	1,856,150,042
Real estate	6,343,673	8,761,492
Pharmaceutical products	8,945,257	8,285,010
	2,276,359,866	1,873,196,544
GROSS PROFIT	817,531,124	694,063,178
OPERATING EXPENSES	316,508,186	224,927,128
INCOME FROM OPERATIONS	501,022,938	469,136,050
OTHER INCOME (CHARGES)	81,291,752	(72,274,919)
NET INCOME BEFORE TAX	582,314,690	396,861,131
Provision for Income Tax	(119,274,658)	(85,086,190)
NET INCOME	463,040,032	311,774,941
Total comprehensive income attributable to:		
Equity holders of the Parent Company	423,005,577	281,705,720
Non-controlling interests	40,034,456	30,069,222
	463,040,032	311,774,941
EARNINGS PER SHARE	0.2173	0.1401

(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 September 30, 2020 and 2019 and December 31, 2019

	September 30 2020	September 30 2019 As Restated	December 31 2019 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
OTHER COMPREHENSIVE INCOME	1,496,918,693	1,577,322,918	1,556,503,464
RETAINED EARNINGS (DEFICIT)			
At beginning of period	4,904,623,195	3,874,083,133	3,874,083,133
Net income for the period	1,115,652,576	1,111,220,011	1,393,363,722
Transfer of revaluation reserve deducted from operations through additional depreciation charges	85,734,679	89,200,491	118,968,061
Effect of adoption of PFRS 16	-	-	(1,660,709)
Declaration of cash dividends	(235,616,072)	(241,582,860)	(480,131,012)
At end of period	5,870,394,378	4,832,920,776	4,904,623,195
TREASURY STOCK	(368,023,807)	(78,394,513)	(191,622,697)
	9,393,624,084	8,726,184,001	8,663,838,782
NON-CONTROLLING INTEREST			
At beginning of period	528,971,009	461,616,475	461,616,475
Net income for the period	106,641,878	96,124,090	125,472,215
Declaration of cash dividends	(29,058,843)	(29,058,867)	(58,117,681)
At end of period	606,554,043	528,681,697	528,971,009
TOTAL EQUITY	10,000,178,128	9,254,865,698	9,192,809,791

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Period Ended September 30, 2020 and 2019 and December 31, 2019

	September 30 2020	September 30 2019 As Restated	December 31 2019 Audited
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	1,509,569,843	1,436,105,485	1,957,027,259
Adjustments for :			
Depreciation - notes 10 and 11	357,126,535	275,871,229	442,188,038
Retirement benefit expense	25,341,020	23,318,716	25,583,642
Finance costs - note 25	43,365,040	32,420,660	52,579,062
Unrealized loss (gain) on financial assets at FVPL - note 5	9,576,401	(111,417,991)	(43,071,659)
Loss (gain) on sale of financial assets at FVPL - note 26	5,012,597	(76,002,865)	(47,770,075)
Dividend income - note 26	(35,634,081)	(35,460,414)	(48,623,957)
Interest income - note 26	(1,429,619)	(916,340)	(1,639,189)
Unrealized foreign exchange gain	-	-	(31,381,271)
Gain on sale of property, plant and equipment	(575,469)	(822,459)	(1,355,543)
Operating income before working capital changes	1,912,352,267	1,543,096,021	2,303,536,307
Decrease (increase) in assets:			
Trade and other receivables	(63,046,137)	(39,169,318)	(33,454,472)
Inventories	(66,101,403)	42,732,246	(162,326,753)
Prepayments and other current assets	47,659,826	2,649,759	(61,976,905)
Real estate projects	(42,592,044)	10,555,725	(26,529,269)
Increase (decrease) in liabilities:			
Trade and other payables	225,524,150	(55,232,128)	193,568,136
Customers' deposits	1,948,711	5,075,702	(4,451,069)
Net cash from operations	2,015,745,370	1,509,708,007	2,208,365,975
Additions to financial assets at FVPL - note 5	(374,825,806)	(184,174,039)	(439,163,845)
Proceeds from sale of financial assets at FVPL	296,295,035	235,622,707	292,780,270
Dividends received - note 26	35,634,081	35,460,414	38,671,481
Interest received	1,429,619	916,340	1,639,189
Income taxes paid	(361,010,198)	(263,948,308)	(365,885,123)
Contributions and retirement benefits paid	(60,498,117)	-	(27,917,261)
Net cash from operating activities	1,552,769,983	1,333,585,121	1,708,490,686
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment - notes 10 and 11	(692,194,038)	(828,504,932)	(1,180,093,870)
Proceeds from sale of property, plant and equipment	1,422,959	2,983,093	16,959,325
Collection of advances to related parties	-	-	81,701,438
Grant of advances to related parties	(2,707,902)	(4,965,017)	(600,042)
Decrease (increase) in deferred tax and other assets	(93,329)	(65,050)	-
Decrease (increase) in advances to contractors and suppliers	2,125,255	(45,617,694)	(23,810,086)
Net cash used in investing activities	(691,447,054)	(876,169,600)	(1,105,843,235)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of short-term debts	2,848,248,159	2,611,907,591	3,646,841,955
Finance costs paid	(40,285,446)	(32,420,660)	(48,374,361)
Payment of short-term debts	(2,847,541,667)	(2,226,334,702)	(3,225,280,392)
Payment of dividends	(498,284,603)	(510,085,421)	(535,415,564)
Acquisition of treasury stocks	(176,401,110)	(72,127,950)	(185,356,134)
Payment of lease liabilities	(7,902,131)	-	(13,755,696)
Net cash from (used in) financing activities	(722,166,798)	(229,061,142)	(361,340,192)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	-	-	24,410,028
NET INCREASE (DECREASE) IN CASH	139,156,131	228,354,379	265,717,287
CASH - note 4			
AT BEGINNING OF PERIOD	1,114,563,626	848,846,339	848,846,339
AT END OF PERIOD	1,253,719,757	1,077,200,718	1,114,563,626

(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 September 30, 2020 and December 31, 2019

(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 50.46% owned by Guild Securities, Inc., and 49.54% owned by PCD Nominee Corporation and other entities and individuals. The Parent Company’s stock price amounted to ₱4.10 and ₱5.06 as at September 30, 2020 and December 31, 2019, 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 September 30, 2020, PGI has eight (8) liquefied petroleum gas (LPG) marine-fed terminals and seventy-four (74) 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 91.35%.

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.

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 percentage 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.

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).

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 June 30, 2020 and December 31, 2019 follows:

Name of subsidiary	Ownership and voting interest	
	2020	2019
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 September 30, 2020 and December 31, 2019 are as follows:

	2020			2019		
	PGI	OOC	PPhI	PGI	OOC	PPhI
Total current assets	₱2,700,426,376	₱622,100,861	₱22,437,063	₱2,510,913,120	₱529,122,739	₱23,617,649
Total noncurrent assets	8,386,456,999	1,414,594,937	639,852	7,805,707,656	1,355,890,476	1,276,558
Total assets	11,086,883,375	2,036,695,798	23,076,915	10,316,620,776	1,885,013,215	24,894,207
Current liabilities	2,479,240,243	93,081,556	10,250,506	2,402,036,786	122,666,851	10,545,845
Noncurrent liabilities	529,401,724	1,368,041,614	139,538	725,540,080	1,216,093,451	2,607,771
Total liabilities	3,008,641,967	1,461,123,170	10,390,044	3,127,576,866	1,338,760,302	13,153,616
Equity	₱8,078,241,408	₱575,572,628	₱12,686,871	₱7,189,043,910	₱546,252,913	₱11,740,591

The summarized statements of comprehensive income for the periods ended September 30, 2020 and 2019 are as follows:

	2020			2019		
	PGI	OOC	PPhI	PGI	OOC	PPhI
Revenues	₱8,262,199,345	₱3,507,092,939	₱42,466,326	₱7,731,170,463	₱735,646,454	₱37,318,189
Expenses	(6,793,454,858)	(3,464,979,901)	(41,114,498)	(6,410,002,329)	(728,470,745)	(35,525,033)
Income tax expense	(267,637,372)	(12,793,323)	(405,548)	(216,834,933)	(2,099,179)	(537,947)
Net income	1,201,107,115	29,319,715	946,280	1,104,333,201	5,076,530	1,255,209
Other comprehensive income	-	-	-	-	-	-
	₱1,201,107,115	₱29,319,715	₱946,280	₱1,104,333,201	₱5,076,530	₱1,255,209
Net income attributable to:						
Equity holders of the						
Parent Company	1,097,211,350	26,680,941	838,942	1,008,808,379	4,619,642	1,112,828
Non-controlling interest	103,895,765	2,638,774	107,338	95,524,822	456,888	142,381
	₱1,201,107,115	₱29,319,715	₱946,280	₱1,104,333,201	₱5,076,530	₱1,255,209

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, 2019.

Annual Improvements to PFRSs 2015-2017 Cycle

PAS 12 (Amendment), Income 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.

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

The application of the above improvement has no significant impact on the disclosures and amounts recognized on the consolidated financial statements.

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. The amendment has no effect on the December 31, 2019 and 2018 financial statements of the Group as this only apply to any future plan amendments, curtailments, or settlements by the Group.

PAS 28 (Amendments), Long-term Interests in Associates and Joint Ventures. The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, Investments in Associates and Joint Ventures.

The amendment has no impact on the financial statements as the Group does not have long-term interests in its associate and joint venture.

PFRS 9 (Amendment), Financial Instruments – Prepayment Features with Negative Compensation. This addresses the concerns about how PFRS 9 classifies particular prepayable financial assets. The amendments also include clarifications to the accounting for a modification or exchange of a financial liability that does not result in derecognition. The amendments are effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The amendment has no significant impact on the disclosures and amounts recognized on the consolidated financial statements.

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 has no significant impact on the consolidated financial statements.

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 January 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
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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 repossesses 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.

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 resulted 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 statements of financial position. In addition, this resulted in recognition of depreciation on the right-of-use asset and interest on lease liability in the statement of comprehensive income, and

presentation of the total amount of cash paid into a principal portion and interest within financing and operating activities in the statements of cash flows.

The Group adopted PFRS 16 using the modified retrospective approach. Under this approach, the standard is applied retrospectively and the cumulative effect of initial application is recognized as an adjustment to the opening balance of retained earnings of the current year. Accordingly, the comparative information presented in 2018 financial statements have not been restated and continued to be reported under PAS 17 and related interpretations.

The Group has entered into various lease agreements in respect of commercial building/units for commercial space, parcels of land and storage tank. Prior to the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets.

Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group applied the following practical expedients for leases previously classified as operating leases, on a lease-by-lease basis:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within twelve (12) months from the date of initial application.
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

New accounting standards, interpretations and amendments to existing standards effective subsequent to January 1, 2019

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.

PFRS 3 (Amendments) Definition of Business. The amendments clarify that to be considered a business, an integrated 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 output. They also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have ‘the ability to contribute to the creation of outputs’ rather than ‘the ability to create outputs’. The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. The

amendments will not have a significant impact on the disclosures and amounts recognized on the consolidated financial statements.

PAS 1 (Amendments) Presentation of Financial Statements, and PAS 8 (Amendments) Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. The amendments will not have a significant impact on the disclosures and amounts recognized on the consolidated financial statements.

The Conceptual Framework for Financial Reporting. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The amendments are effective for annual periods beginning on or after January 1, 2020. The amendments will not have a significant impact on the disclosures and amounts recognized on the 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 34 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 September 30, 2020 and December 31, 2019, included under financial assets at amortized cost are the Group's cash, trade and other receivables, and advances to related parties (see Notes 4, 6 and 21).

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 September 30, 2020 and December 31, 2019, 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 September 30, 2020 and December 31, 2019, included in financial liabilities at amortized cost are the Group's trade and other payables (excluding deposit for park interment services and due to government agencies), short-term debts, and dividends payable (see Notes 15, 17, and 20).

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; and
- 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; and
- 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 September 30, 2020 and December 31, 2019, 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 (Effective January 1, 2019)

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies, (a) there is a change in contractual terms, other than a renewal or extension of the arrangement; (b)

a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d), and at the date of renewal or extension period for scenario (b) above.

The Group leases commercial spaces and lots for its sales centers and refilling plants. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value items. For leases with a term of more than twelve (12) months, the Group recognizes 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, unless the underlying asset is of low value.

Right-of-use asset

At the commencement date of the lease (which is when the underlying asset is available for use), the Group recognizes the right-of-use assets. The right-of-use asset is initially measured at costs which consist of the amount of the lease liability plus any initial direct costs incurred and payments made at or prior to commencement date less lease incentives received and estimated costs to be incurred by the lessee for restoration or dismantling of the underlying asset to be suitable to the condition required by the terms and conditions of the lease. Subsequent to commencement date, the right-of-use asset shall be measured at cost less accumulated amortization and any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

The right-of-use asset is amortized using the straight-line method over the shorter of its estimated useful life and the lease term as follows:

	<u>In Years</u>
Land	5 – 25
Commercial space	3 – 5
LPG storage tank	20

Lease liabilities

At the commencement date of the lease, (which is when the underlying asset is available for use), the Group recognizes lease liabilities measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the Group shall use an incremental borrowing rate.

Variable lease payments that are not included in the measurement of the lease liability are recognized in profit or loss in the period in which the event or condition that triggers payment occurs, unless the costs are included in the carrying amount of another asset under another Standard.

Lease liabilities are subsequently measured to reflect changes in the lease term, exercising of a purchase option (using a revised discount rate), amounts expected to be paid under residual value guarantees (using unchanged discount rate), or future lease payments resulting from a change or a rate used to determine those payments (using an unchanged discount rate). Such remeasurements are treated as adjustments to the right-of-use asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment and other rentals (i.e., those leases that have a lease term of twelve (12) months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight line basis over the lease term.

Leases with variable lease payments

The Group recognizes payments for short-term and long-term leases with variable lease payments depending on the future revenue as expenses when incurred over the lease term.

Leases (Effective prior to January 1, 2019)

The Group is a party to operating leases as at reporting date as a lessee on its sales centers. 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 under Cost of goods sold and Operating expenses account in the 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 September 30, 2020 and December 31, 2019. 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 September 30, 2020 and December 31, 2019.

(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 September 30, 2020 and December 31, 2019.

(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) Lease commitments

The Group has entered into various lease agreements for the lease of its sales center offices and LPG tanks as a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements.

Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. In 2018, the Company determined that significant risk and rewards of ownership of the properties were retained by the lessor and accounts for its lease as operating lease.

Starting January 1, 2019, all the existing leases of the Company, except for the leases with lease term of less than twelve (12) months and small value leases, qualified as leases under PFRS 16 which requires recognition of right-of-use asset and lease liability.

The leases are renewable upon mutual agreement by both parties to be covered by a separate and new lease agreement. Accordingly, the renewal option was not considered in the lease term for purposes of the adoption of PFRS 16.

(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 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 ₱443.37 million

and ₱380.32 million as at September 30, 2020 and December 31, 2019, respectively. There is no Allowance for ECL recognized in the consolidated statements of financial position as at September 30, 2020 and December 31, 2019, respectively (see Note 6).

(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 September 30, 2020 and December 31, 2019 amounted to ₱1.30 billion and ₱1.23 billion, respectively (see Note 7). The carrying amount of the Group's real estate projects which are also carried at cost as at September 30, 2020 and December 31, 2019 amounted to ₱885.16 million and ₱842.57 million, respectively (see Note 8).

(c) Estimating the useful lives of property, plant and equipment and right-of-use assets

Estimates are made on the useful lives of the Group's property, plant and equipment and right-of-use assets based on the periods over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technological or commercial obsolescence, or other limits on the use of such assets. In addition, estimates are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by the changes in estimates brought about by the factors mentioned above. Management increases the depreciation charge where useful lives are less than previously estimated lives, or writes off or writes down impaired or non-strategic assets.

As at September 30, 2020 and December 31, 2019, the carrying amounts of property, plant and equipment, net of accumulated depreciation of ₱4.95 billion and ₱4.61 billion, amounted to ₱8.07 billion and ₱7.73 billion, respectively (see Notes 10 and 11).

As at September 30, 2020 and December 31, 2019, the carrying amount of right-of-use assets, net of accumulated depreciation of ₱39.19 million and ₱32.79 million, amounted to ₱68.30 million and ₱74.70 million, respectively (see Note 31).

(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 ₱79.76 million and ₱114.91 million as at September 30, 2020 and December 31, 2019, respectively (see Note 28).

(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 September 30, 2020 and December 31, 2019, the Group recognized deferred tax assets amounting to ₱70.62 million.

4. CASH

This account as at September 30, 2020 and December 31, 2019 consists of:

	2020	2019
Cash on hand	₱8,518,025	₱156,994,789
Cash in banks	1,245,201,732	957,568,837
	₱1,253,719,757	₱1,114,563,626

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 ₱1,429,619 and ₱916,340 for the periods ended September 30, 2020 and 2019, respectively (see Note 26).

There are no legal restrictions on the Group's cash as at September 30, 2020 and December 31, 2019.

5. FINANCIAL ASSETS AT FVPL

The movement of the account is as follows:

	2020	2019
Cost		
Balance at beginning of period	₱935,884,544	₱741,730,894
Additions	374,825,806	439,163,845
Disposals	(301,307,632)	(245,010,195)
	1,009,402,718	935,884,544
Fair value gain	97,101,012	106,677,413
Balance at end of period	₱1,106,503,730	₱1,042,561,957

The movement of the fair value gain is as follows:

	2020	2019
Balance at beginning of period	₱106,677,413	₱63,605,754
Fair value gain (loss) during the period	(9,576,401)	43,071,659
Balance at end of period	₱97,101,012	₱106,677,413

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 September 30, 2020 and 2019 amounted to ₱296.30 million and ₱235.62 million, which resulted to loss on sale of ₱5.01 million and gain on sale of ₱76.00 million, respectively, and is presented under Other income (net) in the consolidated statements of comprehensive income (see Note 26).

Dividend income earned from financial assets at FVPL is presented under Other income (net) in the consolidated statements of comprehensive income amounting to ₱35.63 million and ₱35.46 million for the periods ended September 30, 2020 and 2019, respectively (see Note 26).

6. TRADE AND OTHER RECEIVABLES (NET)

This account as at September 30, 2020 and December 31, 2019 consists of:

	2020	2019
Trade	₱318,972,321	₱259,505,079
Advances to officers and employees	49,355,090	36,137,019
Refundable deposits	28,719,608	16,548,561
Receivables from memorial lot owners	11,043,255	11,043,255
Others	35,280,483	57,090,706
	₱443,370,757	₱380,324,620

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 and sale of financial assets at FVPL.

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 September 30, 2020 and December 31, 2019.

7. INVENTORIES

This account as at September 30, 2020 and December 31, 2019 consists of:

	2020	2019
Finished goods		
LPG, cylinders, stoves and accessories	₱1,125,510,486	₱1,003,882,069
Industrial gases	22,725,890	17,831,846
Pharmaceutical products	11,262,528	5,228,166
	1,159,498,904	1,026,942,081
In-transit LPG	-	66,762,587
Material and supplies	119,361,604	114,352,103
Raw materials	21,638,353	26,340,687
	₱1,300,498,861	₱1,234,397,458

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, 2019, 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 September 30, 2020 and December 31, 2019.

Inventories charged to cost of sales for the periods ended September 30, 2020 and 2019 are as follows (see Note 23):

	2020	2019
LPG, cylinders, stoves and accessories	₱6,378,411,922	₱5,712,570,714
Industrial gases	165,362,873	173,248,138
Pharmaceutical products	28,027,775	24,664,593
	₱6,571,802,570	₱5,910,483,445

8. REAL ESTATE PROJECTS

Real estate projects as at September 30, 2020 and December 31, 2019 consist of:

	2020	2019
Memorial park lots	₱446,759,201	₱457,751,164
Subdivision lots	89,059,595	92,258,627
Office units	57,662,892	57,662,892
Land held for future development	291,676,647	234,893,608
	₱885,158,335	₱842,566,291

The real estate projects are stated at cost which is lower than NRV.

As at September 30, 2020 and December 31, 2019, 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 ₱16.59 million and ₱31.67 million for the periods ended September 30, 2020 and 2019, respectively (see Note 23).

9. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	2020	2019
Prepayments		
Rent	₱45,519,940	₱46,638,335
Taxes and licenses	7,553,763	12,051,933
Insurance	15,046,678	11,299,437
Maintenance	-	287,081
Input VAT, net	-	58,682,592
Deferred charges	2,032,120	-
Others	18,389,154	7,242,103
	₱88,541,655	₱136,201,481

Prepaid taxes and licenses represent advance payment of business taxes for the succeeding period.

Prepaid insurance pertains to the portion of the insurance premium that has been paid in advance and has not been expired.

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 for various 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 September 30, 2020 and December 31, 2019 and the gross carrying amounts and the accumulated depreciation of revalued property, plant and equipment are as follows:

September 30, 2020

	Net carrying amounts, January 1, 2020	Additions	Depreciation	Reclassification	Disposals	Net carrying amounts, Sept. 30, 2020
Land and land improvements	₱1,568,855,730	₱4,619,179	(₱910,208)	₱-	₱-	₱1,572,564,701
Buildings and structures	1,114,332,274	7,650,130	(47,421,173)	64,224,116	-	1,138,785,347
LPG plant, machinery and equipment	3,409,622,734	79,743,808	(168,557,014)	(64,224,116)	-	3,256,585,412
Oxygen and acetylene cylinders	251,616,112	66,860,701	(26,310,970)	-	-	292,165,843
Office equipment	4,955,839	-	(1,227,750)	-	-	3,728,089
	₱6,349,382,689	₱158,873,818	(₱244,427,115)	₱-	₱-	₱6,263,829,392

	Revalued cost	Accumulated depreciation	Net carrying amounts, Sept. 30, 2020
Land and land improvements	₱1,593,797,874	(₱21,233,173)	₱1,572,564,701
Buildings and structures	2,166,212,831	(1,027,427,484)	1,138,785,347
LPG plant, machinery and equipment	5,539,989,853	(2,283,404,441)	3,256,585,412
Oxygen and acetylene cylinders	1,046,533,594	(754,367,751)	292,165,843
Office equipment	73,278,235	(69,550,146)	3,728,089
	₱10,419,812,387	(₱4,155,982,995)	₱6,263,829,392

December 31, 2019

	Net carrying amounts, January 1, 2019	Additions	Depreciation	Reclassification	Disposals	Net carrying amounts, Dec. 31, 2019
Land and land improvements	₱1,544,797,277	₱25,272,065	(₱1,213,612)	₱-	₱-	₱1,568,855,730
Buildings and structures	960,791,085	204,956,699	(68,174,371)	16,773,210	(14,349)	1,114,332,274
LPG plant, machinery and equipment	2,803,439,038	73,140,525	(210,290,224)	751,816,573	(8,483,178)	3,409,622,734
Oxygen and acetylene cylinders	255,984,623	27,222,112	(30,590,060)	-	(1,000,563)	251,616,112
Office equipment	6,592,839	-	(1,637,000)	-	-	4,955,839
	₱5,571,604,862	₱330,591,401	(₱311,905,267)	₱768,589,783	(₱9,498,090)	₱6,349,382,689

	Revalued cost	Accumulated depreciation	Net carrying amounts, December 31, 2019
Land and land improvements	₱1,589,178,694	(₱20,322,964)	₱1,568,855,730
Buildings and structures	1,771,655,143	(657,322,869)	1,114,332,274
LPG plant, machinery and equipment	5,847,153,603	(2,437,530,869)	3,409,622,734
Oxygen and acetylene cylinders	979,672,893	(728,056,781)	251,616,112
Office equipment	73,278,235	(68,322,396)	4,955,839
	₱10,260,938,568	(₱3,911,555,879)	₱6,349,382,689

Depreciation charged to operations was allocated as follows:

	Sept. 30, 2020	Sept. 30, 2019
Cost of sales	₱129,491,910	₱114,026,525
Operating expenses	114,935,205	96,008,457
	₱244,427,115	₱210,034,982

The above depreciation includes depreciation on appraisal increase amounting to ₱85.73 million and ₱89.20 million for the periods ended September 30, 2020 and 2019, 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 September 30, 2020 and December 31, 2019, the revaluation reserve on the property, plant and equipment carried at revalued amount is ₱1.48 billion and ₱1.54 billion, respectively, which is presented under Other Comprehensive Income (see Note 27).

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 follows:

September 30, 2020

	Net carrying amounts, Jan. 1, 2020	Additions	Reclassification	Disposals	Depreciation	Net carrying amounts, Sept. 30, 2020
LPG cylinders	₱182,458,876	₱12,985,945	₱26,914,109	(₱847,490)	(₱39,087,307)	₱182,424,133
Transportation equipment	343,893,025	103,833,174	(26,914,109)	-	(48,853,741)	371,958,349
Leasehold improvement	2,014,873	-	-	-	(37,983)	1,976,890
Furniture, fixtures and equipment	55,027,276	28,435,522	-	-	(18,320,386)	65,142,412
CIP	793,926,716	388,065,579	-	-	-	1,181,992,295
	₱1,377,320,766	₱533,320,220	₱-	(₱847,490)	(₱106,299,417)	₱1,803,494,078

	Cost	Accumulated depreciation	Net carrying amounts, Sept. 30, 2020
LPG cylinders	₱354,167,073	(₱171,742,941)	₱182,424,133
Transportation equipment	829,704,610	(457,746,261)	371,958,349
Leasehold improvement	19,303,027	(17,326,137)	1,976,890
Furniture, fixtures and equipment	217,049,607	(151,907,195)	65,142,412
Construction in progress	1,181,992,295	-	1,181,992,295
	₱2,602,216,613	(₱798,722,535)	₱1,803,494,078

December 31, 2019

	Net carrying amounts, Jan. 1, 2019	Additions	Depreciation	Reclassification	Disposals	Net carrying amounts, Dec. 31, 2019
LPG cylinders	₱178,137,702	₱25,882,132	(₱21,138,292)	₱-	(₱422,666)	₱182,458,876
Transportation equipment	210,120,247	219,363,552	(80,937,096)	-	(4,653,678)	343,893,025
Leasehold improvement	377,259	1,903,626	(266,012)	-	-	2,014,873
Furniture, fixtures and equipment	32,768,940	39,838,966	(17,121,195)	-	(459,435)	55,027,276
CIP	1,000,572,220	562,514,193	-	(768,589,783)	(569,914)	793,926,716
	₱1,421,976,368	₱849,502,469	(₱119,462,595)	(₱768,589,783)	(₱6,105,693)	₱1,377,320,766

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2019
LPG cylinders	₱343,992,705	(₱161,533,829)	₱182,458,876
Transportation equipment	725,871,436	(381,978,411)	343,893,025
Leasehold improvement	19,303,027	(17,288,154)	2,014,873
Furniture, fixtures and equipment	188,614,086	(133,586,810)	55,027,276
Construction in progress	793,926,716	-	793,926,716
	₱2,071,707,970	(₱694,387,204)	₱1,377,320,766

Depreciation charged to operations was allocated as follows:

	Sept. 30, 2020	Sept. 30, 2019
Cost of sales	₱78,144,400	₱34,529,961
Operating expenses	28,155,017	31,306,286
	₱106,299,417	₱65,836,247

CIP pertains mainly to construction contracts for the site construction and installation of various mounded cylindrical LPG tank storage.

For the period ended September 30, 2020 and 2019, certain property, plant and equipment was disposed of for a total consideration of ₱1.42 million and ₱2.98 million resulting into a gain of ₱575 thousand and ₱822 thousand, respectively. The gain on disposal was under Other income (net) in the consolidated statements of comprehensive income (see Note 26).

As at September 30, 2020 and December 31, 2019, 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:

	2020	2019
Memorial lots	₱352,301,475	₱352,301,475
Land	37,027,141	37,027,141
	₱389,328,616	₱389,328,616

The movements of the investment properties as at September 30, 2020 and December 31, 2019 are as follows:

	2020	2019
Balance at beginning of period	₱389,328,616	₱389,328,616
Additions for the period	-	-
Balance at end of period	₱389,328,616	₱389,328,616

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 September 30, 2020 and December 31, 2019, 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 September 30, 2020 and December 31, 2019 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.

	2020	2019
Attributable to:		
Investment in subsidiaries by Parent Company		
PGI	₱68,897,066	₱68,897,066
PPhI	1,771,239	1,771,239
	₱70,668,305	₱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 ₱68.90 million as at September 30, 2020 and December 31, 2019. 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. OTHER NONCURRENT ASSETS

This pertains to advances to contractors and suppliers which are deposits made to contractors and suppliers for the acquisition of property and equipment. The acquisition of property and equipment will be subsequently reclassified to property and equipment once the title has been transferred to the Company. Advances to contractors and suppliers amounted to ₱42.77 million and ₱44.90 million as at September 30, 2020 and December 31, 2019.

In 2018, this was classified as part of Trade and other receivables and was reclassified to Other noncurrent assets in 2019 for proper classification and presentation. The 2018 balance was also reclassified for consistency in presentation.

15. TRADE AND OTHER PAYABLES

This account as at September 30, 2020 and December 31, 2019 consists of:

	2020	2019
Accounts payable:		
Trade	₱649,520,164	₱934,412,786
Nontrade	432,258,622	3,803,045
Deposits for park interment services	109,260,425	105,761,326
Due to park maintenance fund	72,163,267	50,229,301
Accrued expenses	50,121,698	20,671,243
Cylinder deposits	72,636,379	15,265,182
Due to government agencies	3,135,782	50,675,217
Reserve fund liability	6,826,089	5,314,797
Deferred income	-	3,031,121
Others	42,511,468	23,745,727
	₱1,438,433,894	₱1,212,909,745

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.

16. 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 ₱106.82 million and ₱104.87 million as at September 30, 2020 and December 31, 2019, respectively.

17. SHORT-TERM DEBTS

Short-term debts consist of:

(a) Parent Company

In the third quarter of 2020, the Parent Company obtained credit facilities amounting to ₱50 million from a commercial bank at an interest rate of 5.00% with tenure of 90 days.

(b) PGI

In the first three quarters of 2020, PGI obtained credit facilities amounting to ₱2.67 billion from various commercial banks at interest rates ranging from 3.50% to 5.0% with tenures of 90 to 120 days.

During the year 2019, PGI obtained credit facilities amounting to ₱2.33 billion from a commercial bank at interest rates ranging from 4.00% to 4.50% with tenures of 118 to 120 days, which will expire on various dates from May 23, 2019 to April 10, 2020.

In February and during the last half of 2019, PGI obtained another credit facilities amounting to ₱911.9 million from another commercial bank at interest rates ranging from 4.00% to 7.25% with tenures of 30 to 125 days. The short-term loan is unsecured.

In April and November of 2019, PGI obtained some more credit facilities amounting to ₱299.27 million from one more commercial bank at interest rates ranging from 3.75% to 7.50% with tenures of 90 to 120 days. The short-term loan is unsecured.

(c) OOC

In the first three quarters of 2020, OOC obtained credit facilities amounting to ₱125 million from various commercial banks at interest rates ranging from 4.0% to 5.0% with tenures of 60 to 90 days.

In February and November of 2019, OOC obtained short-term debts from a local bank with an amount of ₱100 million at interest rates ranging from 6.25% to 7.25% per annum with tenure of 60 days.

In December 2019, OOC obtained another credit facilities amounting to ₱60 million from another commercial bank at an interest rate of 6.00% with tenure of 90 days.

As at September 30, 2020 and December 31, 2019, the outstanding balance of short-term debts amounted to ₱1.32 billion. Total interest incurred charged to operations amounted to ₱39.06 million and ₱31.97 million for the periods ended September 30, 2020 and 2019, respectively (see Note 26).

18. CAPITAL STOCK

Details of this account are as follows:

	2020	2019
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 September 30, 2020 and December 31, 2019, the Parent Company's stock price amounted to ₱4.10 per share and ₱5.06 per share, respectively.

As at September 30, 2020 and December 31, 2019, the Parent Company has three hundred fifty-nine (359) and three hundred sixty (360) equity holders, respectively.

19. 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 September 30, 2020 and December 31, 2019, the Group has treasury stocks amounting to 78,038,731 shares and 36,598,731 shares with cost of ₱368.02 million and ₱191.62 million, respectively.

20. RETAINED EARNINGS

Dividend declaration

Parent Company's dividend declaration

In a special meeting held on May 18, 2020, the Parent Company's BOD declared cash dividends amounting to ₱235.62 million which is equivalent to ₱0.12 per share to stockholders of record as of June 15, 2020 payable on July 6, 2020 out of its unrestricted retained earnings as of December 31, 2019.

In a special meeting held on December 6, 2019, the BOD declared cash dividends amounting to ₱238.55 million which is equivalent to ₱0.12 per share to stockholders of record as of January 3, 2020 payable on January 29, 2020.

Likewise, in a special meeting held on May 17, 2019, the BOD declared cash dividends amounting to ₱241.58 million which is also equivalent to ₱0.12 per share to stockholders of record as of June 14, 2019 payable on July 10, 2019.

Cash dividends declared in 2020 and 2019 are summarized below:

Date declared	Date paid	Dividend per share	2020	2019
May 17, 2019	July 10, 2019	₱0.12	₱-	₱241,582,860
December 6, 2019	January 29, 2020	0.12	-	238,548,152
May 18, 2020	July 6, 2020	0.12	235,616,072	-
			₱235,616,072	₱480,131,012

PGI's dividend declaration

At the special meeting of the BOD held on March 31, 2020, the Board approved distribution of a cash dividend to stockholders of record as of April 3, 2020 amounting to ₱336 million.

At the special meeting of the BOD held on October 30, 2019, the BOD approved distribution of a cash dividend to PGI's stockholders of record as of October 30, 2019 amounting to ₱336 million out of unrestricted retained earnings for cash dividends as of December 31, 2018.

At the special meeting of the BOD held on April 5, 2019, the Board approved distribution of a cash dividend to 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.

Cash dividends declared in 2020 and 2019 are summarized below:

Date declared	Date paid	Dividend per share	2020	2019
April 5, 2019	May 3, 2019	₱0.12	₱-	₱336,000,000
October 30, 2019	November 7, 2019	0.12	-	336,000,000
March 31, 2020	April 10, 2020	0.12	335,999,976	-
			₱335,999,976	₱672,000,000

As at September 30, 2020 and December 31, 2019, outstanding dividends payable amounted to ₱17.88 million and ₱251.49 million, respectively.

Prior period adjustment

The retained earnings as at January 1, 2018 was restated to reflect the recognition of fair value gain from transfer of certain real estate properties in exchange for PGI's capital stock.

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.

On the other hand, 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. Such was the case as 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 in a deficit amounting to ₱989.84 million as at December 31, 2004. Hence, accounting for the stocks received using the fair value of the real properties transferred would be misleading and not reflective of the financial status of PGI at that time.

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.

As PGI had recovered its deficit and its operations have been stable for the past years, the Parent Company assessed that the fair value gain from the aforementioned transfer of real properties may already be recognized to reflect the correct valuation of the investment in PGI.

The ₱1.03 billion 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 part of the retained earnings in the consolidated statements of financial position.

21. 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	Amount of transaction		Outstanding receivable	
	2020	2019	2020	2019
Under common control				
Pryce Retirement Fund, Inc. (PRFI)	₱3,307,944	₱-	₱53,051,387	₱49,743,443
Pryce Plans, Inc. (PPI)	(600,042)	600,042	-	600,042
	₱2,707,902	₱600,042	₱53,051,387	₱50,343,485

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 2020 and 2019.

22. REVENUES

The details of this account are as follows:

a) LPG and industrial gases

	2020	2019
LPG, cylinders, stoves and accessories	₱8,526,890,029	₱7,385,575,661
Industrial gases	323,965,593	341,460,089
	₱8,850,855,622	₱7,727,035,750

b) Real estate

Revenue from sale of real estate amounted to ₱100.26 million and ₱122.65 million for the periods ended September 30, 2020 and 2019, respectively.

c) Pharmaceutical products

Revenue from sale of pharmaceutical products amounted to ₱42.47 million and ₱37.32 million for the periods ended September 30, 2020 and 2019, respectively.

23. COST OF SALES

a) Cost of sales on LPG and industrial gases for the periods ended September 30 are as follows:

	2020	2019
LPG, cylinders, stoves and accessories	₱6,378,411,922	₱5,712,570,714
Industrial gases	165,362,873	173,248,138
	₱6,543,774,795	₱5,885,818,852

b) Cost of sales on real estate amounted to ₱16.59 million and ₱31.67 million for the periods ended September 30, 2020 and 2019, 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 September 30 are as follows:

	2020	2019
Beginning inventory – note 7	₱5,228,166	₱8,009,709
Add: Purchases	34,062,137	21,799,835
Total good available for sale	39,290,303	29,809,544
Less: Ending inventory – note 7	11,262,528	5,144,951
	₱28,027,775	₱24,664,593

24. OPERATING EXPENSES

Operating expenses for the periods ended September 30 are as follows:

	2020	2019
Selling expenses	₱462,553,234	₱318,630,670
General and administrative expenses	487,014,135	419,027,537
	₱949,567,369	₱737,658,207

25. FINANCE COSTS

Finance costs for the periods ended September 30 are as follows:

	2020	2019
Short-term – note 17	₱39,059,504	₱31,969,528
Lease liabilities	3,079,594	-
Others	1,225,942	451,132
	₱43,365,040	₱32,420,660

26. OTHER INCOME (NET)

Other income (net) for the periods ended September 30 are as follows:

	2020	2019
Dividend income – note 5	₱35,634,081	₱35,460,414
Gain (Loss) on sale of financial assets at FVPL – note 5	(5,012,597)	76,002,865
Sale of scrap and junked materials	9,103,017	18,127,154
Gain on sale of property, plant and equipment – note 11	575,469	822,459
Interest income from banks – note 4	1,429,619	916,340
Others	65,158,081	18,583,752
	₱106,887,670	₱149,912,984

27. OTHER COMPREHENSIVE INCOME

This account as at September 30, 2020 and December 31, 2019 consists of:

	2020	2019
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	1,535,655,087	1,618,932,730
Transfer of revaluation reserves deducted from operations through additional depreciation charges – note 10	(85,734,679)	(118,968,061)
Deferred income tax effect on revaluation reserves charged to operations through additional depreciation	26,149,908	35,690,418
At end of period	1,476,070,316	1,535,655,087
Total other comprehensive income	₱1,496,918,693	₱1,556,503,464

28. 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:

	2020	2019
Discount rate	5.70%	5.70%
Expected salary increase rate	7%	7%

The discount rate, also called the zero yield curve, as at September 30, 2020 and December 31, 2019 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.

29. EARNINGS PER SHARE

Earnings per share are computed based on the number of common shares outstanding as of the end of the period.

	2020	2019
Net income attributable to the owners of the Parent Company	₱1,115,652,576	₱1,111,220,011
Number of common shares outstanding as of end of period	1,946,461,269	2,010,348,069
	₱ 0.573	₱ 0.553

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)
Registered Activity	Bulk Marketing of Petroleum Products (Talisayan, Zamboanga City LPG Terminal with 2,000 MT Capacity of One (1) additional Storage Tank; Purok, Talisayan, Zamboanga City)
Registered Capacity	One (1) LPG Storage Tank with a Capacity of 2,000 MT
ITH entitlement Period	01 July 2019 to 30 June 2024 (5 years without extension)
Registered Activity	Bulk Marketing of Petroleum Products (Ajuy, Iloilo LPG Terminal with 2,000 MT Capacity of One (1) additional Storage Tank; Brgy. Barrido, Ajuy, Iloilo)
Registered Capacity	One (1) LPG Storage Tank with a Capacity of 2,000 MT
ITH entitlement Period	01 August 2019 to 31 July 2024 (5 years without extension)
Registered Activity	Bulk Marketing of Petroleum Products (Ayungon, Negros Oriental LPG Terminal with 2,000 MT Capacity of One (1) additional Storage Tank; Brgy. Iniban, Ayungon, Negros Oriental)
Registered Capacity	One (1) LPG Storage Tank with a Capacity of 2,000 MT
ITH entitlement Period	01 August 2019 to 31 July 2024 (5 years without extension)

As at December 31, 2019, there are seven (7) terminals and refilling plant operations enjoying ITH. As at December 31, 2018, five (5) of the LPG terminals and refilling plant operations were 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 Company 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 2019 and 2018 as shown in the statements of comprehensive income both represent the RCIT.

As at September 30, 2020 and December 31, 2019, the Group is in compliance with the terms and conditions set forth by BOI.

31. LEASES

The Group has entered into various lease agreements for its sales centers, terminals, refilling plants and office units as a lessee.

Long-term lease agreements

The Group has entered into various lease agreements with various local companies and individuals for its Visayas and Mindanao operations' sales center offices and lot for its refilling plants for a period ranging from three (3) to twenty (20) years. Monthly rent ranges from ₱8,000 to ₱134,000.

Provision on the renewal or extension of the lease agreements depends upon the mutual agreement of both lessor and lessee.

Right-of-use Assets

The reconciliation of right-of-use assets recognized from the aforementioned long-term lease agreements as at September 30, 2020 and December 31, 2019 is as follows:

September 30, 2020

	Land	Commercial space/unit	Total
Cost			
Balance at beginning of period	₱69,202,894	₱38,287,776	₱107,490,670
Additions	-	-	-
Balance at end of period	69,202,894	38,287,776	107,490,670
Accumulated depreciation			
Balance at beginning of period	29,668,751	3,118,171	32,786,923
Depreciation	2,333,735	4,066,268	6,400,003
Balance at end of period	32,002,486	7,184,439	39,186,926
Carrying amount, Sept. 30, 2020	₱37,200,407	₱31,103,337	₱68,303,744

December 31, 2019

	Land	Commercial space/unit	Total
Cost			
Balance at beginning of year, as previously stated	₱-	₱-	₱-
Effect of adoption of PFRS 16	51,757,803	-	51,757,803
Balance at beginning of year, as restated	51,757,803	-	51,757,803
Additions	17,445,091	38,287,776	55,732,867
Balance at end of year	69,202,894	38,287,776	107,490,670

Accumulated depreciation

Balance at beginning of year, as restated – note 2	21,966,747	-	21,966,747
Depreciation	7,702,005	3,118,171	10,820,176
Balance at end of year	29,668,751	3,118,171	32,786,923
Carrying amount, Dec. 31, 2019	₱39,534,143	₱35,169,605	₱74,703,747

Lease Liabilities

The movement in lease liabilities as at September 30, 2020 and December 31, 2019 is as follows:

September 30, 2020

As at beginning of period	₱79,961,174
Additions	-
Interest expense	3,079,594
Payments	(7,902,131)
As at end of period	₱75,138,637

December 31, 2019:

As at January 1, 2019, as previously reported	₱-
Effect of adoption of PFRS 16	33,779,303
As at January 1, 2019, as restated	33,779,303
Additions	54,958,681
Interest expense	4,204,701
Payments	(12,981,511)
As at December 31, 2019	₱79,961,174

Lease liabilities, as shown in the statements of financial position as at September 30, 2020 and December 31, 2019 consist of:

	2020	2019
Current	₱15,134,188	₱13,616,354
Noncurrent	60,004,449	66,344,820
	₱75,138,637	₱79,961,174

Short-term lease agreements

The Group has entered into various operating lease agreements for its sales centers and office units with various local companies and individuals for a period of one (1) year renewable thereafter upon mutual agreement of both parties. Monthly rental payments range from ₱4,000 to ₱25,000.

Prior to adoption of PFRS 16

In 2018, the Group has entered into various operating lease agreements for its sales centers, terminals, refilling plants and office units with various local companies and individuals for a period of one (1) year renewable thereafter upon mutual agreement of both parties. Monthly rental payments range from ₱12,523 to ₱85,000.

32. 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 17). The impact on the Company's equity is immaterial.

	Increase (Decrease) in Basis Points	Effect in Income Before Tax	Effect in Equity After Tax
2020	1.00	(₱132,131,856)	(₱92,492,299)
	0.50	(66,065,928)	(46,246,150)
	(1.00)	132,131,856	92,492,299
	(0.50)	66,065,928	46,246,150
2019	1.00	(₱132,061,207)	(₱92,442,845)
	0.50	(66,030,603)	(46,221,422)

(1.00)	132,061,207	92,442,845
(0.50)	66,030,603	46,221,422

The following table sets out the carrying amounts, by maturity, of the Group's financial instruments as at September 30, 2020 and December 31, 2019 that are exposed to interest rate risks:

	Interest rates	Within 1 Year	Total
2020			
Variable rate			
Borrowings	3.50% to 5.00%	₱1,321,318,561	₱1,321,318,561
2019			
Variable rate			
Borrowings	4.00% to 7.50%	₱1,320,612,069	₱1,320,612,069

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 September 30, 2020 and December 31, 2019 would increase/decrease by ₱55.33 million and ₱52.13 million, respectively, as a result of the changes in fair value of financial assets at FVPL. Equity as at September 30, 2020 and December 31, 2019 would increase/decrease by ₱38.73 million and ₱36.49 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	4

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.

33. 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 September 30, 2020 and December 31, 2019 are as follows:

	2020	2019
Total equity (a)	₱10,000,178,128	₱9,192,809,791
Total assets (b)	13,839,953,162	13,177,879,512
Equity ratio (a/b)	72%	70%

The Group is not subject to any externally imposed capital requirements.

34. 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 September 30, 2020 and December 31, 2019, are determined in particular, the valuation technique(s) and inputs used.

	2020	2019	Fair value hierarchy	Valuation technique
Financial assets at FVPL	₱1,106,503,730	₱1,042,561,957	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 September 30, 2020 and December 31, 2019 are not measured at fair value on recurring basis but the fair value disclosure is required:

	2020		2019			
	Fair Value	Carrying value	Fair value	Carrying value	Fair value hierarchy	Valuation technique
Financial asset						
Advances to related parties	₱85,838,410	₱92,087,307	₱44,975,367	₱50,343,485	Level 3	(b)
Non-financial asset						
Investment Properties	847,028,856	389,328,616	847,028,856	389,328,616	Level 2	(a)
	₱932,867,266	₱481,415,923	₱892,004,223	₱439,672,101		
Financial liabilities						
Lease liabilities (noncurrent portion)	60,004,449	60,004,449	66,344,820	66,344,820	Level 3	(b)
	₱60,004,449	₱60,004,449	₱66,344,820	₱66,344,820		

(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 2.370% in 2020 and 3.830% in 2019	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.

35. CONTINGENCIES

The Group is involved in litigations, claims and disputes arising in the ordinary course of business. Management believes that the ultimate liability, if any, with respect to such litigations, claims and disputes will not materially affect the consolidated financial position and results of operations of the Group.

36. EVENTS AFTER THE REPORTING DATE

Dividend declaration

In a meeting held on November 3, 2020, PGI's BOD declared cash dividends equivalent to ₱0.12 per share to stockholders of record as of November 13, 2020 payable on November 23, 2020 out of its unrestricted retained earnings as of December 31, 2019.

Impact of COVID-19 pandemic to the Group's operations

The Group expects the last quarter to be adversely affected by the COVID-19 pandemic by a decline in sales volume of around 5% to 10%.

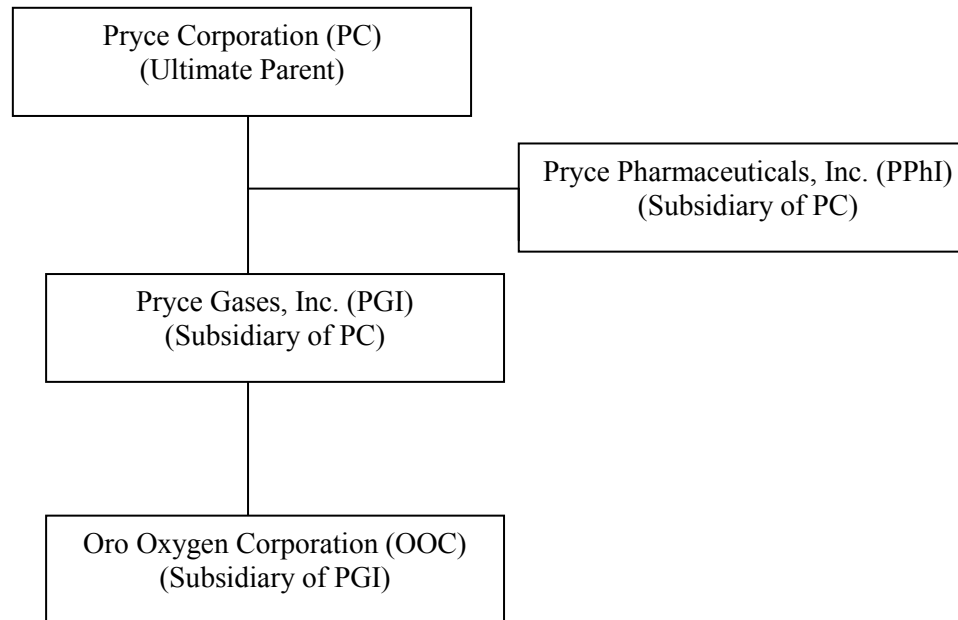
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PRYCE CORPORATION AND SUBSIDIARIES
ANNEX “A” - FINANCIAL SOUNDNESS

	Jan to Sept 2020	Jan to Sept 2019
Profitability ratios :		
Return on assets	11.50%	12.17%
Return on equity	17.20%	17.66%
Net profit margin	16.78%	18.21%

	Sept. 30 2020	Dec. 31 2019
Solvency and liquidity ratios:		
Current ratio	1.687	1.539
Debt to equity ratio	0.409	0.460
Financial leverage ratio:		
Asset to equity ratio	1.473	1.521
Debt to asset ratio	0.277	0.302
Interest rate coverage ratio	35.811	38.221

PRYCE CORPORATION AND SUBSIDIARIES
ANNEX “B” – MAP OF CONGLOMERATE OR GROUP
OF COMPANIES WITHIN WHICH THE COMPANY BELONGS
SEPTEMBER 30, 2020



PRYCE CORPORATION AND SUBSIDIARIES
SEPTEMBER 30, 2020

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at SEPTEMBER 30, 2020		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 SEPTEMBER 30, 2020		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 SEPTEMBER 30, 2020		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 SEPTEMBER 30, 2020		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 SEPTEMBER 30, 2020		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
SEPTEMBER 30, 2020

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
Atlas Mining	750,000	₱2,880,000	₱2,880,000	₱ -
Cemex Holdings	3,520,000	5,808,000	5,808,000	
Filinvest Land, Inc.	11,682,000	10,630,620	10,630,620	
First Philippine Holdings	3,266,945	199,283,645	199,283,645	
Ginebra San Miguel	1,311,290	65,498,935	65,498,935	
Global Ferronickel Holdings	23,776,000	27,342,400	27,342,400	
Global-Estate Resort, Inc.	56,965,000	43,293,400	43,293,400	
Lopez Holdings Corp.	1,796,000	4,094,880	4,094,880	
Metrobank & Trust Co.	30,000	1,146,000	1,146,000	
Metro Pacific	11,165,000	38,965,850	38,965,850	
Philippine National Bank	9,125,900	213,546,060	213,546,060	
San Miguel Series 2-C Preference	5,553,860	430,424,150	430,424,150	
San Miguel Sub Series 2-E Preference	271,250	20,615,000	20,615,000	
San Miguel Sub Series 2-F Preference	212,630	16,372,510	16,372,510	
San Miguel Sub Series 2-G Preference	170,000	12,920,000	12,920,000	
San Miguel Sub. Series 2-I Preference	180,030	13,682,280	13,682,280	
Total	129,775,905	₱1,106,503,730	₱1,106,503,730	₱ -

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS AND EMPLOYEES, RELATED PARTIES
AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
FOR THE PERIOD ENDED SEPTEMBER 30, 2020

Name of Debtor	Debtor designation	Balance at beginning of the period	Additions	Amount Collected	Current	Non current	Balance at end of the period
1 . Baco, Michael	Officer	260,542	1,581,220	225,581	424,617	1,191,563	1,616,180
2 . Deguit, Ethelbert	Officer	1,584,664	126,232	193,215	1,277,768	239,913	1,517,681
3 . Sulatre, Alexis	Officer	1,126,266	-	174,765	58,255	893,245	951,500
4 . Ascaño, Mark Alf	Officer	994,056	-	80,263	543,693	370,100	913,793
5 . Competente, Roque	Officer	970,886	-	122,983	260,406	587,497	847,903
6 . Gubalani, Concepcion	Officer	-	782,835	86,692	696,143	-	696,143
7 . Pongos, Zachary	Staff	101,620	725,708	152,521	674,808	-	674,808
8 . Leung, Carmen	Officer	723,587	85,750	164,718	160,364	484,255	644,619
9 . Morales, Ellen	Staff	-	2,659,370	2,032,495	626,875	-	626,875
10 . Padernal, Kyle	Officer	-	655,279	29,576	32,364	593,339	625,703
11 . Isidro, Joy	Officer	569,289	545,041	551,252	199,163	363,915	563,078
12 . Avila, Manuel	Officer	709,944	38,916	195,919	552,940	-	552,940
13 . Espino, Ethel	Officer	533,293	-	123,896	32,321	377,076	409,397
14 . Pingli, Allian	Staff	310,133	162,999	71,708	401,424	-	401,424
15 . Querol, Stephanie	Staff	-	670,294	279,853	390,441	-	390,441
16 . Fernandez, Julie Ann	Officer	468,199	-	80,263	13,377	374,559	387,936
17 . Eco, Servillano Jr.	Officer	524,497	153,570	297,150	109,059	271,857	380,917
18 . Rafisura, Reynante	Staff	-	418,862	88,605	330,256	-	330,256
19 . Defeles, Maricel	Staff	-	363,000	35,000	328,000	-	328,000
20 . Gabunas, Heide	Staff	-	746,378	421,079	325,299	-	325,299
21 . Tabada, Bryan Jade J.	Staff	-	345,361	28,298	317,063	-	317,063
22 . Paasa, Christy Ann	Officer	331,790	99,729	116,510	38,837	276,173	315,009
23 . Villegas, Franz Jonas	Officer	379,382	83,136	180,991	190,908	90,619	281,527
24 . Gepulango, Geryl	Staff	-	435,476	157,861	277,615	-	277,615
25 . Coopera, Roiza	Officer	-	481,998	205,311	276,686	-	276,686
26 . Veloso, Rolando	Officer	358,444	210,955	301,569	66,443	201,387	267,830
27 . Campos, Rogelio	Staff	129,748	1,669,293	1,532,682	266,358	-	266,358
28 . Lagunay, Jose Jr.	Officer	490,764	61,218	314,647	237,335	-	237,335
29 . Tiu, Daisy	Staff	-	222,144	-	222,144	-	222,144
30 . Eslit, Anthony	Staff	196,696	108,706	111,454	193,948	-	193,948
31 . Limba, Elmer	Staff	-	672,111	485,286	186,824	-	186,824
32 . Balugo, Daniel	Staff	-	396,870	214,163	182,707	-	182,707
33 . Cuady IV, Julius	Staff	244,873	53,829	122,091	176,610	-	176,610
34 . Camino, Edelito	Staff	-	700,061	525,749	174,312	-	174,312
35 . Dagalea, Dennis T.	Staff	-	170,320	360	169,960	-	169,960
36 . Tuyor, Alfie	Staff	-	159,250	2,000	157,250	-	157,250
37 . Lumahang, Enrique	Staff	182,601	13,073	47,094	148,579	-	148,579
38 . Del Rosario, Daisy	Staff	-	165,541	21,415	144,126	-	144,126
39 . Mahayag, Jaime Jr.	Staff	-	257,225	115,270	141,955	-	141,955
40 . Inedal, Yashir	Staff	-	138,253	-	138,253	-	138,253
41 . Caronia, Andrew	Staff	-	149,853	11,723	138,130	-	138,130
42 . Mallice, Ma. Charmaine	Staff	-	255,379	120,990	134,389	-	134,389
43 . Tudio, Cristopher	Staff	-	173,896	40,290	133,605	-	133,605
44 . Eslais, Mavi Chiergie	Staff	213,394	-	81,915	131,479	-	131,479
45 . Ay-ad, Vincent	Staff	-	375,897	245,449	130,448	-	130,448
46 . Bertulfo, Magno	Staff	-	798,540	669,311	129,229	-	129,229
47 . Alvior, May Juleth	Staff	-	163,842	36,486	127,355	-	127,355
48 . Castro, Ritchel O.	Staff	-	132,043	10,210	121,833	-	121,833
49 . Lapuz, Jayson	Staff	-	424,480	304,216	120,264	-	120,264
50 . Mondarte, Ferdinand	Officer	-	259,070	147,513	111,557	-	111,557
51 . Delima, Ruben	Officer	-	431,601	322,363	109,238	-	109,238
52 . Sierras, Rowell	Staff	-	350,672	244,142	106,530	-	106,530
53 . Eng, Alfio	Staff	-	132,562	32,062	100,500	-	100,500
54 . Various Employees	Staff	24,732,353	28,765,800	23,198,605	28,338,596	2,509,544	30,299,547
TOTAL		36,137,019	48,573,634	35,355,563	41,078,640	8,825,043	49,355,090

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF
FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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	₱1,216,093,451	₱2,604,342,820	₱2,452,394,657	-	-		₱1,368,041,614
Pryce Gases, Inc.	Pryce Corporation	74,688,928	141,601,428	4,293,852	-	-		211,996,503
Pryce Corporation	Pryce Gases, Inc.	124,884,926	880,602,462	1,005,487,388	-	-		
Pryce Gases, Inc.	Pryce Pharmaceuticals, Inc.	2,607,729	4,667,492	7,135,683	-	-		139,538
		₱1,418,275,034	₱3,631,214,202	₱3,469,311,580	-	-	-	₱1,580,177,655

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE D – INTANGIBLE ASSETS - OTHER ASSETS
SEPTEMBER 30, 2020

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	₱ –	₱ –	₱ –	₱ –	₱ 70,668,305

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE E – LONG TERM DEBT
SEPTEMBER 30, 2020

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
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-N I L-

Not Applicable

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS
FROM RELATED COMPANIES)
SEPTEMBER 30, 2020

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
SEPTEMBER 30, 2020

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
SEPTEMBER 30, 2020

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	2,024,500,000	1,947,305,269	–	460,173,464	60,457,965	1,426,673,840

PRYCE CORPORATION (Parent Company)
Aging of Accounts Receivable
As of September 30, 2020

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	3,495,938	347,126	447,849	602,578	807,652	1,290,733			
2. Low-cost housing	1,882,610	284,591	354,410	397,375	453,327	392,907			
3. Memorial Parks	146,376,112	20,941,406	22,510,552	24,536,687	25,367,467	26,213,593	26,806,407		
4. Head Office	48,245	48,245							
Totals	151,802,905	21,621,368	23,312,811	25,536,640	26,628,446	27,897,233	26,806,407	-	-
Less: Allow. For Doubtful Acct.									
Sub Total	151,802,905	21,621,368	23,312,811	25,536,640	26,628,446	27,897,233	26,806,407	-	-
b. Non-trade Receivables									
Advances to Officers & Employees	9,569,706	1,613,632	1,763,318	2,001,088	2,093,696	2,097,972			
Advances to Suppliers & Contractors	3,571,249	819,345	1,124,877	1,627,027					
Others	7,300	7,300							
Totals	13,148,255	2,440,277	2,888,195	3,628,115	2,093,696	2,097,972	-	-	-
Less: Allow. For Doubtful Acct.									-
Sub Total	13,148,255	2,440,277	2,888,195	3,628,115	2,093,696	2,097,972	-	-	-
Grand Total	164,951,160	24,061,645	26,201,006	29,164,755	28,722,142	29,995,205	26,806,407	-	-

Accounts Receivable Description

Type of Receivables	Nature/Description	Collection period
1. Installment Receivables	Subdivision Low cost housing Memorial parks Condominium Office Commercial lot Head Office	1-7 years 1-15 years 1-3 years 1-5 years 1-3 years 1-3 months